

**U.S. POLICY TOWARD NORTH KOREA II: MISUSE  
OF U.S. AID TO NORTH KOREA**

---

---

**HEARING**  
BEFORE THE  
**COMMITTEE ON  
INTERNATIONAL RELATIONS  
HOUSE OF REPRESENTATIVES**  
ONE HUNDRED SIXTH CONGRESS

FIRST SESSION

---

October 27, 1999

---

**Serial No. 106-81**

---

Printed for the use of the Committee on International Relations



Available via the World Wide Web: [http://www.house.gov/international relations](http://www.house.gov/international_relations)

---

U.S. GOVERNMENT PRINTING OFFICE

63-194 CC

WASHINGTON : 2000

COMMITTEE ON INTERNATIONAL RELATIONS

BENJAMIN A. GILMAN, New York, *Chairman*

WILLIAM F. GOODLING, Pennsylvania	SAM GEJDENSON, Connecticut
JAMES A. LEACH, Iowa	TOM LANTOS, California
HENRY J. HYDE, Illinois	HOWARD L. BERMAN, California
DOUG BEREUTER, Nebraska	GARY L. ACKERMAN, New York
CHRISTOPHER H. SMITH, New Jersey	ENI F.H. FALEOMAVAEGA, American Samoa
DAN BURTON, Indiana	MATTHEW G. MARTINEZ, California
ELTON GALLEGLY, California	DONALD M. PAYNE, New Jersey
ILEANA ROS-LEHTINEN, Florida	ROBERT MENENDEZ, New Jersey
CASS BALLENGER, North Carolina	SHERROD BROWN, Ohio
DANA ROHRBACHER, California	CYNTHIA A. MCKINNEY, Georgia
DONALD A. MANZULLO, Illinois	ALCEE L. HASTINGS, Florida
EDWARD R. ROYCE, California	PAT DANNER, Missouri
PETER T. KING, New York	EARL F. HILLIARD, Alabama
STEVE CHABOT, Ohio	BRAD SHERMAN, California
MARSHALL "MARK" SANFORD, South Carolina	ROBERT WEXLER, Florida
MATT SALMON, Arizona	STEVEN R. ROTHMAN, New Jersey
AMO HOUGHTON, New York	JIM DAVIS, Florida
TOM CAMPBELL, California	EARL POMEROY, North Dakota
JOHN M. McHUGH, New York	WILLIAM D. DELAHUNT, Massachusetts
KEVIN BRADY, Texas	GREGORY W. MEEKS, New York
RICHARD BURR, North Carolina	BARBARA LEE, California
PAUL E. GILLMOR, Ohio	JOSEPH CROWLEY, New York
GEORGE RADANOVICH, California	JOSEPH M. HOEFFEL, Pennsylvania
JOHN COOKSEY, Louisiana	
THOMAS G. TANCREDO, Colorado	

RICHARD J. GARON, *Chief of Staff*

KATHLEEN BERTELSEN MOAZED, *Democratic Chief of Staff*

MARK KIRK, *Counsel*

Peter T. Brookes, *Professional Staff Member*

JOAN I. O'DONNELL, *Staff Associate*

# CONTENTS

## WITNESSES

	Page
The Honorable Tony P. Hall, a Representative in Congress from Ohio .....	4
Mr. Benjamin Nelson, Director, International Relations and Trade, National Security and International Affairs Division, General Accounting Office .....	21
Ms. Gary L. Jones, Associate Director for Energy, Resources and Science, Community and Economic Development Division, General Accounting Office .....	23
Dr. Nicholas Eberstadt, Visiting Scholar, American Enterprise Institute .....	41
Mr. Joseph S. Bermudez, Jr., Senior Analyst, Jane's Intelligence Review .....	43
Ms. Nancy Lindborg, Executive Vice President, Mercy Corps International .....	45

## APPENDIX

### Prepared statements:

The Honorable Benjamin A. Gilman, a Representative in Congress from New York and Chairman, House Committee on International Relations .....	54
Rep. Tony P. Hall .....	56
Mr. Benjamin F. Nelson .....	63
Ms. Gary L. Jones .....	74
Mr. Joseph S. Bermudez, Jr. ....	86
Ms. Nancy Lindborg .....	95

### Additional material:

"Light Water Reactors and Nuclear Weapons in North Korea: Let's Be Fair With Our Comparisons submitted by Rep. Tony P. Hall .....	99
---	----

## **U.S. POLICY TOWARD NORTH KOREA II: MISUSE OF U.S. AID TO NORTH KOREA**

---

**Wednesday, October 27, 1999**

HOUSE OF REPRESENTATIVES,  
COMMITTEE ON INTERNATIONAL RELATIONS,  
WASHINGTON, D.C.

The Committee met, pursuant to notice, at 10:05 a.m. in room 2172, Rayburn House Office Building, Hon. Benjamin A. Gilman (Chairman of the Committee) Presiding.

Chairman GILMAN. The Committee will come to order.

Today, the Committee will hold the second in a series of hearings this month on our Nation's policy toward North Korea. Today's hearing will focus on U.S. aid to the DPRK, the missile threat and North Korea's future. We are pleased to have gathered a distinguished group of witnesses to discuss these matters.

Five years ago, our Nation embarked on a massive assistance program for North Korea. Today, the DPRK stands as the No. 1 recipient of our Nation's assistance to East Asia. Total aid, including food assistance, is valued at over \$645 million since 1995. That figure is expected to exceed \$1 billion next year.

The American people may not be fully aware of the true scale of this massive aid program. Today, our Nation and our partners in the Korean Peninsula Energy Development Organization, known as KEDO, provide at least 45 percent of North Korea's heavy fuel oil needs. Our Nation also provides over 80 percent of the internationally donated food aid to North Korea. In sum, we feed one out of every three North Koreans.

There is a growing concern in the Congress about our policy toward North Korea. As U.S. assistance is growing, so is the range of their missiles. It is now believed that two types of North Korean intercontinental ballistic missiles can strike the continental United States with weapons of mass destruction. For the first time in our history, we are within missile range of an arguably irrational rogue regime. Regrettably, we cannot defend against that threat.

We are also concerned about the use of our aid. According to the nonpartisan General Accounting Office, the GAO, at least \$11 million of fuel aid has been diverted by the North Korean government. Fuel monitoring is dependent upon the North Korean power system, which is often out of service.

We have also learned that, despite assurances from the Administration that U.S. aid will not go where food cannot be monitored, at least 14,000 tons of food aid, valued at \$5 million, was diverted to military counties where monitors are denied access.

One question looms large in any discussion of aid for North Korea. We know that the government of North Korea is primarily responsible for its economic collapse and food shortage due to its misguided policies. If this were any other country, they would be moving ahead on agricultural and economic reforms that would lead North Korea back to food security.

For instance, Ethiopia went from famine to grain exporter in just 5 years. No such reforms are presently under way in North Korea. North Korea continues to hold out one hand for aid, while in the other hand it holds a gun. This has resulted in a very successful cycle of political blackmail and extortion within the international community.

Finally, we are concerned about the human rights situation in the DPRK. This pressing issue receives far too little attention. North Korea classifies its people into 51 groups, with over 7 million people regarded as members of the hostile class, and I put that in quotes.

These people are starving, and our aid is stolen from their mouths. North Korea has hit a new low in human rights, founding "9.27 prisons" where hungry children are incarcerated. To my knowledge, the Administration has yet to ask North Koreans for international access to these 9.27 prisons, even though they were identified over a year ago by a Committee staff delegation which went to visit North Korea.

We are calling upon the Administration to request that the International Red Cross be granted access to these prisons in order to monitor the health of the hundreds of thousands of children who are trapped inside.

I think we have assembled the right people here today to address these issues. We look forward to their testimony, and I want to thank all of our witnesses for coming.

I now turn to Mr. Gejdenson, our Ranking Minority Member, for any opening statement he may wish to make.

Mr. GEJDENSON. Thank you, Mr. Chairman; and let me say that I think every Member on this panel feels for the men and women and the children in North Korea. The North Korean government is a threat, but it is the greatest threat to its own people. The tragedy that they have visited upon the children and the men and women in North Korea is something that, I think, the entire world is shaken by, and it obviously leads us all to great concern dealing with that government.

I am particularly happy that we have our colleague Mr. Hall with us today. I think he has been in North Korea five times and is someone who is familiar with dealing with these kinds of relief efforts, hardly ever occurring in open, democratic societies. In very many of these instances they are either war-torn or they are totalitarian and authoritarian regimes, and again, most often, their own people suffer the most.

I believe Dr. Perry has developed a program for the United States that meets our National interest and has ceased their building of a nuclear capability and has gotten their assurances to end missile tests. Clearly, we have to watch, and I commend, frankly, all of those in Congress who continue to press for more openness, more access and more information, but I do believe we have to keep

in focus how important it is to try to end this rogue regime's assault on its own citizens in its attempt to develop missile technology and weapons of mass destruction.

Thank you.

Chairman GILMAN. Thank you, Mr. Gejdenson.

Mr. Pomeroy.

Mr. POMEROY. Thank you, Mr. Chairman.

I think this is a very, very important hearing. The issue before us involves our ability to track the food aid we have provided to North Korea. At all times, as we consider the question this morning, I think we have to have at the forefront of our thoughts the dimension of the crisis itself. The estimates of lost lives in North Korea due to starvation ranges from 1 to 2 million people—1 to 2 million dead from starvation in North Korea.

One hears reports about literally an entire generation of stunted children, stunted by virtue of malnutrition, never able to obtain full physical size, but what we also know in terms of its debilitating impacts on mental development, never able to fully realize their intellectual capabilities as well due to the absence of adequate food.

So even as we consider our ability to monitor food aid, let us never forget for a second that people are starving today in North Korea, joining the 1 to 2 million others.

This hearing also occurs, Mr. Chairman, in the context where several different groups are taking a look at this question. One group that we have discussed already in this committee is the Republican Conference Task Force on North Korea. It is very unusual, of course, to take a major foreign policy question, take it outside of the Committee of jurisdiction, and then within the majority party only constitute a body looking at that very important issue. That is what has occurred here, and I think it is very unfortunate.

The action of this task force has produced a report. That report has been released to the National Journal. Upon its release of the draft report, members of the Minority said, now that you have made this public, can we at least take a look at what you have done? We have been refused even today to have copies of this report given to us. You can give it to the press, give it to the world, but, for God's sake, keep the Minority out of participating in discussions on North Korea in the context of this special Speaker's Task Force on North Korea.

This is much too important an issue for partisan politics. One of the things I hope we will be able to do in this open hearing, this open bipartisan hearing this morning, is look at one of the allegations contained in that task force report as it relates to food aid, according to the National Journal—we rely on the National Journal because you haven't given it to us yet to read ourselves. Apparently, you don't want us to pick it apart or at least do some fact-checking for you.

The report alleges, "significant diversions of food and fuel aid," and so I hope in the course of the meeting this morning we will be able to look at whether or not there is substantiation for this "significant diversion".

Congressman Hall, one of the leading experts in the country on North Korea and the dissemination of humanitarian aid, has been there five times and will tell us momentarily there is no evidence

of significant diversion. All of the world food programs that are participating will tell you there is no evidence of significant diversion. The GAO will tell you there are problems in auditing food aid, but they will not tell you they have evidence of significant diversion, and so one wonders where in the world this so-called Majority task force is coming up with stuff.

Saying something doesn't make it so. You have got to have the underlying facts, and so it concerns me greatly that unsubstantiated allegations of this type are thrown out in the context of Congress considering cutting-off all food aid, which would accelerate the rate of starvation and malnutrition in North Korea.

Let us with an open mind this morning explore whether or not there is substantiation of this allegation of significant diversion, even as we look at and acknowledge problems in auditing the food aid there.

Thank you, Mr. Chairman.

Chairman GILMAN. Thank you, Mr. Pomeroy. I just might add that no one has called for cutting-off food aid in Congress at this point.

Any other Members seeking recognition?

If not, if no other Member is seeking recognition, I would like to welcome our first panelist, Congressman Tony Hall of Ohio, former Chairman of our Select Committee on Hunger, and I was pleased to serve with Mr. Hall on that distinguished panel. It is a pleasure to welcome you to our Committee.

He is one of Congress' leading activists on food aid around the world and particularly North Korea, and we want to thank you for your past concerns about North Korea. We are pleased that you are able to join us today.

If you wish to put a full statement in the record, we will do it without objection. Please proceed.

**STATEMENT OF THE HON. TONY P. HALL, A REPRESENTATIVE  
IN CONGRESS FROM THE STATE OF OHIO**

Mr. HALL. I want to thank you, Mr. Chairman, for the chance to come before your Committee.

We seem to be testing the theory today that honorable men and women can disagree quite often lately, and I want to thank you for letting me have the time to disagree with you in person. I know your views about North Korea—and some of the Members of the Committee—and I know that they are sincerely held. I appreciate your hearing my testimony this morning. I want you to know that mine are sincerely held as well.

As you know, and as you have stated, I have been to North Korea in the past 3 years 5 times. I spend as little time as possible in the Capital so I can focus on the people in remote areas whose condition is far worse and whose suffering is oftentimes hidden from outsiders.

I don't make these trips out of any particular interest in North Korea. In fact, my first experience with that regime was when President Reagan asked me to go to the memorial service for the South Korean cabinet ministers killed by North Korean agents in Burma in the 1980's. I could not understand what North Korea was

doing in those days, and I still can't figure out why they do some of things that they do today.

The reason I go to North Korea is the same reason I went to Sudan last year, and the year before that to Rwanda, Sierra Leone, Angola and Somalia—because of the humanitarian crisis its people are facing. Most experts I talk to believe two million or more Koreans have died in this crisis. Some people who have been on the China border say that 3.5 million have died. I think that is probably a little bit high. I am not sure. But we do know that it is twice the number of Ethiopia's famine, which was supposedly the worst famine of the past 50 years. This is the worst famine in the world today. That is the reason I go, and that is the reason why I am here today.

I have three problems with the GAO's report on food aid to North Korea. My first is that it is a negative bias that does not track with my own experience and that of many of the aid workers who serve in North Korea. I have detailed some of the most serious omissions in my written testimony on page 2, and I hope you will take an opportunity to look at these.

Another significant flaw is the report twists spot checks of 10 percent of the schools, hospitals and orphanages that the World Food Programme supplies into a finding that 90 percent have not been visited. This ignores the fact that that is twice the usual number of spot checks the World Food Programme makes in other countries.

The World Food Programme is not policing the delivery of every grain of aid. It focuses on ensuring that delivery systems in place are working.

Worst of all, the report suggests that you can't believe your eyes—that until there is proof that food aid is not being diverted, the improving conditions all recent visitors have observed in North Korean children is irrelevant. Yet, this report does not cite even a single instance where food aid has been diverted from hungry people to the military or to the governing elites. In fact, it notes that there is no evidence of such diversions.

There is an old saying that fits the GAO work on this report to a T, one Congressman Armev recently cited on the Floor. It holds that an economist is someone who spends all his time proving that something which works in real life could not possibly work in theory. This is what the GAO has demonstrated with this report, to the detriment of this Committee's oversight work and to the GAO's shame.

My second complaint about the GAO report is that if we accept the standard it lays out, we risk raising the bar so high that we will never be able to help starving people again. If conditions in North Korea or any desperate place were perfect enough to get the GAO seal of approval, there would be no famine there in the first place. It is never open and transparent societies that are the ones in trouble. They can always feed themselves. It is other places like Ethiopia, Somalia, North Korea, and Sudan; the reason is the regimes which don't respect human rights are regimes that don't respond to the people's human needs either.

If we refuse to help people who live under brutal regimes, even when we can hide behind the excuse that we can't absolutely guar-

antee they are getting food, we are betraying President Reagan's policy that a hungry child knows no politics. Our country is better than that. We are clever enough to find ways around the hurdles like the ones detailed in this report.

The World Food Programme and the private charities working in North Korea see the human cost of letting the perfect be the enemy of the good, and we should support them in this tremendous good that they are doing.

My third major quarrel is that the ultimate result of this report is to effectively remove a tool that Congress uses to meet its oversight responsibility, and that is the GAO investigation. The publication of a report that selectively excludes the context in which the WFP operates, and virtually all evidence that contradicts investigators' preconceived views, virtually guarantees that no GAO investigator ever will be allowed into the Hermit Kingdom. That will insult Congress and undermine our colleagues' support for humanitarian aid, and that is why the GAO's decision to rush its work and publish something so incomplete deserves criticism.

The historic turn of events last month made it even more likely that a second visa request may have been granted. I was disappointed to learn that instead of seizing that opportunity, the GAO proceeded on its original timetable. The result is the GAO investigated North Korea by going only to Rome. It opted for a quickie investigation of one of the largest humanitarian operations in the world, instead of a thorough one. It produced a report that aid workers don't find credible, a report that does nothing to help U.S. and U.N. Representatives press for greater access. It also foreclosed the Congress from getting a true picture of what is happening to the people inside North Korea.

Mr. Chairman, there is no one who cares more about feeding hungry people than me, and there is no one who would make a bigger racket than I would if food donated to starving people were diverted to anyone else. I do not spend time for the heck of it going to hospitals and orphanages and visiting TB patients and sick children, AIDS patients and other people to help the leaders of the countries, especially ones who aren't doing enough to ease the suffering of their people. I do it to help people who know little about politics, people who want simply to eat and want to survive.

Mr. Chairman, I want to inform the Committee that I met with David Walker about these concerns. I understand his colleague, Ben Nelson, will include some of the clarifications in his testimony. I appreciate that. I want to thank both of them for looking into the reports that a key member of the investigative team may have brought a personal agenda to this work. I was heartened by Mr. Walker's interest and by his acknowledgment that the World Food Programme has taken more precautions in North Korea than it does anywhere else.

In closing, I want to say a few things about the people besides hungry North Koreans who benefit from the improving U.S.-DPRK relationship.

First: America's service-men and -women, 37,000 of whom are stationed in South Korea. I have heard time and time again from our own military that they wholeheartedly support humanitarian aid to the people of North Korea, not only because it is a humane

response to a real need, but because it is an easy investment to make on peace on that dangerous border. I want to reemphasize that every time I go to North Korea I always stop-off in Japan and South Korea. I talk to our military, and to a man, enlisted men and officers say this humanitarian aid is making a difference, and it is helping with peace on the peninsula.

Second: American farmers. We are blessed not only by a prosperous and free democracy but also by the world's most productive farmers. Without last year's surplus wheat, our contributions to the World Food Programme work in North Korea would probably be half of what they are. The grain our farmers grow is transforming ordinary North Koreans' views about America.

Third: American allies. President Kim Dae Jung, a hero to democracy activists everywhere, has devoted considerable energy to bringing peace to the Korean Peninsula through his policies of constructive engagement. Japan also supports U.S. efforts to improve relations with North Korea, and nothing is more central to these efforts than our response to the North or to the United Nations' appeal for food and medicines for desperate North Koreans.

Finally, I want to share my experience of some of the famines I have witnessed. After the crisis ends, but almost never until then, some people overthrow their leaders. Some don't. Whatever they do about their government, however, people who survive it remember famine as the worst kind of hell. They remember who helped them as those around them were dying, and they never forget who found excuses to do too little to save their family and friends.

This GAO report ought to renew our resolve to keep pressing Pyongyang to give the World Food Programme and others fuller access. It ought not be an excuse to tighten the rules on food aid so much that we cannot help people in North Korea and in other countries who are in dire need. I would submit that your quarrel is not with the World Food Programme. It is not with one of the most conscientious and aggressive executive directors this organization has ever had—a leader who has turned ships around and refused to play Pyongyang's game. It is not with Mercy Corps or the other American charities working in difficult conditions, but getting the job done.

Mr. Chairman, I appreciate your determination to ensure that our food is getting to the people in North Korea who know nothing about politics—people who only want to eat, who want to survive. But as the Committee examines our policy toward North Korea, I urge you to set aside the contempt—sometimes a contempt that is earned and one that all Americans feel for this totalitarian state—as you make your judgments. I urge you to focus attention on the nuclear and missile issues that I believe are your real concern, and to do all you can to support the humanitarian aid that is saving hundreds of thousands of innocent lives.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Hall appears in the appendix.]

Chairman GILMAN. Thank you, Tony Hall, for being here today.

As I mentioned before, Congressman Hall has been one of our leading advocates of food aid for North Korea, and I want you to know that there is no proposal, at least on this side of the aisle, for any cut-off of food aid. However, we are concerned about the re-

sponsibility for the food shortages I know you have explored in the past. Is it the weather or the government that is responsible for the food shortage?

Mr. HALL. It is many things, Mr. Chairman. It is, first, this Hermit Kingdom relied so much on the former Soviet Union to bail them out with food aid and medicines and those kinds of things. As you know, when the former Soviet Union came apart, they no longer really helped North Korea, so food aid and medicines were not sent, and China doesn't help as much as they used to.

Second, you have a country that is 80 percent mountainous, so the growing regions are not sufficient to support the country's needs. Their farming methods are the old collective system, the old Communist system, and they don't work. They have depleted their soil and destroyed much of their land.

I am not a farming expert. I have had farming experts—agricultural experts travel with me to North Korea. There are few trees; they have torn them down. They also have suffered from drought. They have suffered from floods. Anything you can imagine that would happen to a country has happened to them. Plus, they have a very oppressive regime.

Chairman GILMAN. Mr. Hall, have they made any effort to reform their agricultural policy?

Mr. HALL. They are making some. They are inviting more and more people into the country that are agricultural experts. They are sending a few of their people outside, particularly to Australia. There are farmers in our country asking some of their farmers and agricultural experts to come over for a few weeks. They are a long way from making reforms.

Chairman GILMAN. With other recipients of food aid we have insisted on radical reforms to their economy to ensure that those societies can feed themselves in the future. Why can't we be more insistent on reforms so that the North Koreans can eventually feed themselves? Is there any objection to doing that?

Mr. HALL. There is no objection from me. It is something I press them on every time. Every time I press them on it, from the standpoint of reforms of their agriculture policy, they always say, we are a sovereign nation; this is the way we are going to run our government. This is not an easy government, Mr. Chairman.

Chairman GILMAN. We recognize that.

Mr. HALL. If it was an easy government, we wouldn't be in there. If it was an easy government, they would be taking care of their people. This is not an easy government to get along with, so every time you raise the issue of reform they get stubborn, they get defensive. They will say, I am a sovereign nation; you don't really have the right to ask. But I have noticed lately, the past time I was there, that we have had some very good talks. They are starting to make reforms, but they are gradual. They are very slow.

Chairman GILMAN. Congressman Hall, with regard to taking care of their people, what about their resistance to monitors to make certain the food assistance gets to the people?

Mr. HALL. As I said before and one of the things that I have taken issue with in the GAO report is the World Food Programme checks about 10 percent of the food going in and out.

Chairman GILMAN. So 90 percent of the food is not monitored?

Mr. HALL. Yes, and let me just stress that part. The GAO used the figure of 90 percent, like, oh, wow, this is a big figure, they are not monitoring 90 percent. We don't monitor 90 percent any place in the world.

Chairman GILMAN. We monitor more than 10 percent, do we not?

Mr. HALL. No. In most places we do not, especially in Ethiopia in the 1980's. The World Food Programme will tell you if they spot check 5 percent in other countries that is the standard. They do 10 percent in North Korea. So it is twice the average.

Chairman GILMAN. Of course, in other countries there is no prohibition for monitoring, and it is our capability of monitoring. Here in North Korea we find an inability to monitor if we wanted to undertake more monitoring.

Let me ask you a further question. Do you agree that our State Department should insist on access to the 9.27 prisons for the hungry children?

Mr. HALL. I think we should continue to press on that, no question about it. Wherever hungry people are in the country who we can find and get to, we should continue to press it, absolutely.

Chairman GILMAN. With regard to your criticism of the GAO report and the integrity of the report, my staff had checked with GAO and they stand by their report. I regret that some are criticizing the integrity of the investigator.

I want to thank you, Mr. Hall, for being here, and I now turn to Mr. Pomeroy.

Mr. POMEROY. Thank you very much, Mr. Chairman.

I have great regard for the Chairman. He does have a bill, however, that I believe would affect the continued provision of food aid to North Korea, and, in fact, I believe it would cut it off. I would like your opinion as an expert relative to this matter. The legislation at issue, which has been introduced, and in fact is H.R. 1835, would require the following conditions to be certified before further food aid could be provided, and I will just read them to you.

"The government of the Republic of Korea concurs in the delivery and procedures for delivery of the United States food assistance to North Korea."

That one would be met. They strongly do concur that this food aid should continue. Is that correct, Mr. Hall?

Mr. HALL. Absolutely.

Mr. POMEROY. Second, "previous United States food assistance to North Korea has not been significantly diverted to military use."

Do you have thoughts in terms of whether or not we can somehow come up with a certification as to all prior food aid we have provided?

Mr. HALL. That is very, very difficult. It is a very hard thing to prove.

From time to time I have had people come to me and say, did you see that recent report where the North Korean submarine infiltrated the waters of South Korea, and did you see the food that they showed? They had canned food, and that shows that our food is being diverted.

I say that is very interesting. We don't give canned goods to North Korea. We give food to the World Food Programme, and it

is brought in by ships—it is brought in as grain in the big holds, and then we bag it there.

So the food that comes into North Korea that might be American food is probably bilateral assistance. I have said to South Korea on a number of occasions, never send bilateral assistance to a government like this because it will never be monitored. You don't require it. I have said it also to the Red Cross in South Korea, don't give bilateral aid. You can't check it. But our aid that goes to the World Food Programme, they check 10 percent of it, and that is twice above what they normally check in other countries.

So these stories that we hear about American food showing up in North Korean submarines, this is not U.S. food that we have donated. It is probably coming from either China or South Korea, and it is bilateral assistance. There are about four or 500,000 metric tons of this that is not monitored. This is not U.S. food aid.

Mr. POMEROY. A fundamental question seems to be, at a time when we have yet, and I don't think we will hear from the GAO this morning proof of significant diversion, to place the burden on proving no significant diversion without proving the diversion is a bit much. What are we going to do? Ask the Hermit Kingdom, this bizarre, completely objectionable regime, to provide us some kind of big-six Price Waterhouse audit trail? I mean, how are you going to meet these conditions? I agree that they have a very pernicious impact, even though they may not on their face.

Let me just ask you whether the GAO looked at—beyond monitoring—looked at basically the health status of the population, from whatever source available, to determine whether or not there appears to be some food aid that is doing some good.

Mr. HALL. They never looked at that. There are enough significant reports out to show that the food aid is absolutely making a difference. I have seen the difference in the 5 times I have been there. The last time I was there, in August, it was clear that it has made a tremendous difference.

The biggest problem in North Korea right now is not that our food aid is not making a difference; it is that they have a tremendous health problem. They have a TB epidemic and all kinds of waterborne diseases. They have no medicines in the country. They are operating on people without pain medication. I always visit hospitals and orphanages. They hold people down when they operate on them because there is no pain medication.

They use the same cotton gauze after they get done operating on people. They wash it and dry it on the windowsill, and use it again for the next person.

There are no antibodies in the country. There is a severe health crisis. So what's needed next we need—some more medicines going into the country, and there are virtually none in there.

Mr. POMEROY. Secretary Perry has indicated that he has observed improving nutrition by just general observation and anecdotal report. That apparently comports with your own evaluation, and the GAO certainly had some capacity to try to gather some of that information as well in making a conclusion on food assistance.

Mr. HALL. They did not gather it. They didn't go to North Korea. They got turned down once, and they didn't reapply for visas.

Oftentimes, I get turned down. I got turned down, one time, five times. You have to continue to press them to get in. The fact is, because of this report, I think GAO—which to me has always been a tremendous agency that I have always respected—to their discredit, they are finished. They are never going to get into North Korea with this kind of report because it is not accurate. I think they have hurt us; they have hurt the Congress. We are not going to get a good report now on North Korea from our own people. This is a group that is supposed to be independent, and as a result of this report we are not going to get true monitoring. We are going to have to depend on our NGO's and the World Food Programme, which we always have. They are adequate, but it is not the kind of report that we need.

Mr. POMEROY. Thank you.

Chairman GILMAN. The gentleman's time has expired. Thank you, Mr. Pomeroy.

Mr. Houghton.

Mr. HOUGHTON. Yes. Mr. Hall, in trying to wrap this together, what does it all mean for us? I mean, the GAO is *persona non grata*, and we shouldn't do bilateral aid and a whole variety of things are out there. Do you see any position for us over the next 2 or 3 years, other than through the World Food Organization?

Mr. HALL. Mr. Houghton, the food aid is making a difference in North Korea. It is making a difference in that more and more of their children, their women, their handicapped and their older people, are now living as a result of it.

Second, it is buying us time. If you were to talk to our military and our military experts, the ones who are on the scene in South Korea—we have 37,000 troops there—they will be the first to tell you that this humanitarian aid is making a difference.

I always take military people in with me. They have taken a very good look at the situation. They believe that it is making a difference. It is bringing peace to a very difficult situation.

South Korea is with us. Japan is with us. We are speaking with one voice.

Third, we never use food as a weapon. We go any place in the world where people are starving. We have always done that.

If you want to take a regime that was very difficult, go back to Ethiopia in the early 1980's. The way this government came into power was by coming into the cabinet meeting of the former cabinet of Haile Selassie, and the leader, Mengistu, mowed down everybody with a machine gun. That is how he started his government.

If there has ever been a hideous government, it is that one, and we gave them a tremendous amount of food aid. You know how we did it? We went around the government. We never gave bilateral aid. We gave aid through our NGO's, through the World Food Programme, through UNICEF. We trust these people. We have worked with them year after year. We believe that they deliver tremendous amount of goods with low overhead. We are doing the same thing in North Korea. We are doing what we have always done. We are not saying we love this government; we don't. We are not saying that they are our best friends; they are not. We are not saying that we respect them because we have major, major difficulties with them.

What we are saying is, we are helping their people live. It is paying tremendous benefits for all the people in the Korean Peninsula and for the people who will live because they are going to remember who helped them long after this.

Mr. HOUGHTON. I applaud you and I applaud the efforts of those people who have been involved in this.

I guess you can't really help an entire society by food aid programs. You can help certain amounts of people, I don't know what the percentage is, but if their trees are all down and the farming land is not productive, where does it all go? Is this just a Band-aid or is this really the beginning of a resuscitation of that economy?

Mr. HALL. This is a beginning, and it is keeping some people alive, probably hundreds of thousands of people alive. The kind of reforms that you are talking about—reforestation, medicines, hospitals, equipment, agriculture reforms—we can't give that. We are prohibited by law from giving those kinds of aid programs to North Korea. The only thing we can give is food aid.

Mr. HOUGHTON. Thank you very much.

Chairman GILMAN. Thank you, Mr. Houghton.

Mr. Hastings.

Mr. HASTINGS. Thank you very much, Mr. Chairman, for having this hearing; and, Representative Hall, thank you so much for your testimony. Let me see if I can go in yet another direction to draw on the benefits of the enormous experience that you have, Tony, in this arena.

If you were to analyze just briefly any other report that you know of that the GAO may have done regarding food distribution in the world and compared this one, how do you rate it? I have heard your criticism, but is this standard? For example, I'm sure that GAO must have done reports on other food distribution programs. Do you follow where I am coming from?

Mr. HALL. I have followed GAO reports on a number of matters, not only food aid but many things that we in Congress have asked them to do. I have always been very, very supportive and very pleased over their neutrality and how they have looked at an issue. I was very surprised at this report when I read it. Actually, I didn't believe it. I thought, how did they get this report? I have been there 5 times, and they did not ask to come see me until their report was finished. My staff asked them to come see me. They just came to see me last week. That is first.

Second, they made this report by gleaning what other people said, and they kind of twisted it, in my opinion, and took it out of context. So instead of saying the World Food Programme checked 10 percent, which is 100 percent above what they normally do, of food supplies, they missed out on 90 percent. That is a kind of twisting of words. I am surprised that they did those kinds of things.

Third, they went to Rome to investigate North Korea. Now, how do you investigate North Korea by only going to Rome?

Fourth, they have raised the standard on what it is going to take to help these very difficult governments, whether they are Communist governments or whether they are dictatorial governments. The standard is now so high that, if we were to follow what they

have said in this report, we won't be able to go anyplace. The places that we could go under this logistic are ones that are already helping their people.

I don't understand GAO. I really don't. It is a very, very good agency, but, on this one, there is a lot of criticism deserved.

Mr. HASTINGS. I guess they would come back and argue that the office of the World Food Programme in Rome had some accountability issues in dealing with their paperwork, but I agree with you. I think it ignores what you know so well and I, in a limited way.

A report like this for example, can discourage the World Food Programme where there is no opportunity. It does appear to offer a serious rebuttal at this point, and I am assuming at some point we will do that. But you and I know for a fact—I have been in the southern Sudan when shooting was going on, as you have, and the World Food Programme is delivering food through Christian factions and the Muslim factions fighting each other and fighting against governments at the very same time. So they do an enormous job, and it is not certain in any instance when you are dealing with a regime like North Korea that every ounce of wheat or food that is being distributed is going to arrive at its destination.

I would urge that if we wanted to do one that is serious, Russia is going to have serious problems real soon. I stood on the streets in St. Petersburg outside a port and laughed because I am street smart at how much food, which wasn't coming from the United States but was coming from another source, wasn't going to the trucks like it looked like it was intended to go.

So you can always find those kinds of things. You can go to the ports of New York and find some of it didn't get there in the first place. No reflection on New York—this is also true in the Miami area. But my point is that somewhere along the line, we need to be very, very careful with these kinds of reports, because the people that have the responsibility of conducting the actual distribution are deserving of more than just criticism from afar.

That is all I have, Mr. Chairman.

Mr. HALL. If I thought, as I said in my testimony, that any of this food was being diverted in any way, I would be the first one to say, if it is going to the government and to the military, then don't send it to this country.

Second, every time that I have been in the country, I have always met with all the NGO's, including the World Food Programme. There are always about 25 or 30 there representing the different groups that are working there—European groups, et cetera. Every time, I ask them, can you cite for me any diversion of food, can you give me anything on that? They have always said, we cannot cite one example. Does it happen? I am sure it does. But if it was happening in any major way we would hear about it. I'm sure we would hear about it.

Mr. HASTINGS. Thank you, Representative Hall.

Thank you, Mr. Chairman.

Chairman GILMAN. Thank you, Judge Hastings.

Mr. Sanford.

Mr. SANFORD. I thank the gentleman for his great testimony.

I guess I come from a different school of thought on this thing in that, to me, Tony, this is a question about markets. I have got a number of young sons, one of whom I am in the process of trying to teach to ride a bike. It seems to me that if I never, ever let my hands off the back of that bike he would, at best, slowly learn how to ride the bike—or more likely, never learn how to ride the bike.

You think about governments—I mean, right now you have got Russia target bombing different parts of Chechnya, and yet on the other hand, we are indirectly providing aid. It seems that a lot of governments can do a lot of things if they are not held accountable by the markets. To me, the oil we send in, the food that we send in, helps to perpetuate a regime that is, by all standards, very, very repressive.

so, first, I am struggling with the market impact of what is going on and how this may, in fact, as the gentleman from New York had suggested earlier, be a Band-aid for what is going on there. It may, in fact, slow reforms. It may slow change in the government. I would ask your thoughts on the element of Band-aid.

The second thing that I would bring up would be what you just last said, and that was, if it was, in fact, the case that food was being diverted, you yourself would say we shouldn't be sending the food. That to me brings this straight back to this GAO report. I mean, we talk about GAO like it is something abstract, and yet, if I am not mistaken, these are NGO investigators back, over your right shoulder, and they are not obstructions. If you were to point to one of them and say, yes, either one of them is incompetent or one of them has a strong bias—I don't think you would say it is that one versus that one, or would you? GAO is right there, and they seem like professionals, they look like professionals. Every other GAO report that I have gotten—most people in government seem to think a lot of those reports.

So I don't understand the idea of relying on GAO reports on a consistent basis for other areas of government, but then when it comes back to being conflicting saying, well, it doesn't make any sense here. Because, again, the people who produced it, or at least components in the production of it, are standing there over your right shoulder.

Mr. HALL. That is a good question. I have come here to talk about the GAO report because I was very worried about the Chairman and the Members, about the kind of bill that they may have introduced in the past couple of months. If we had to follow it, you would have to cut-off aid to North Korea because there is no way we can fulfill those conditions.

When I heard the GAO was going to do a report, I said to myself, good, great, let us take a neutral look at this. I have been there 5 times. You know what? I still don't understand this place. It is difficult. They hide so much.

Yet I have eyes. I know what I am looking at, and I know what I am seeing when I go into hospitals and orphanages and schools. When I go up-country and I stay up-country, I can just walk around and see it. But they had a chance, too, to go there if they had pressed it. They asked once, and they got turned down. Everybody gets turned down. The Chairman's gotten turned down, but he has also had some of his people go into the country.

GAO didn't talk to me. They don't have to talk to me, but they could have talked to some other people that have been in there. They could have pressed their point. They could have cited reports that would show that the food aid and the programs there are working.

What I am concerned about is that report was written in such a way that, if I was reading it and never had visited North Korea, I would say, well, maybe we shouldn't give them food aid because it is probably being diverted.

Mr. SANFORD. So you are saying one of those folks right back there has a bias against North Korea?

Mr. HALL. I can't point my finger at anybody, and I wouldn't do that. What I am saying is their report is biased, and it is not accurate.

Mr. SANFORD. That would be your opinion.

Mr. HALL. That is about as clear as I can get it. That is my opinion.

The other thing, what you said in your first part, North Korea can take care of themselves. These people are very difficult people, but they are hardy, they are hard workers. There is no heat in the country. There is no power in the country. All the factories are closed down. The people are all stunted, the children, I mean. There are so many orphans in the country it is unbelievable. There are hardly any senior citizens left. You don't see them anymore. A lot of them died.

The situation is so bad that if you were there and you came with me to see this, you would say to yourself—our policy in this country has never been to use food as a weapon. We have said we would always help a hungry person, and we have always done that. We have never held back.

If you want to hold back on nuclear programs, you want to hold back on development assistance, you want to not lift sanctions, those kinds of things because of their policy on missiles, that is one thing. But never hold back food and medicines, and we never have. I guarantee if you saw these people die, you would say these people don't know anything about this government. They want to live, they just want to make it. You would say, those are my children. Those are human beings, and we should help them, period. That is all I am saying here.

If this GAO report was used in conjunction with this bill, all aid to North Korea would be cut-off, I guarantee you. We are the biggest supplier of food to North Korea, and so that is why I have come here in such a very strong way against this report. I am surprised at GAO because I know that they are much better than this.

Chairman GILMAN. Thank you, Mr. Sanford.

Mr. Ackerman.

Mr. ACKERMAN. Thank you, Mr. Chairman.

If I can take the liberty of disagreeing with my colleague, you are a big deal. I have served in this body for over 17 years, and I have carefully followed your work over that time. You have so successfully filled the shoes of the legendary Mickey Leland, and in a way that is so quiet and without calling any attention to yourself in a selfless fashion, traveling to so many places to care for those that

need, that I think that you are one of the true heroes of this Congress.

Mr. HALL. Thank you.

Mr. ACKERMAN. There is nobody that I know of in this Congress, either body, that has done the kind of work that you have done on behalf of hungry and starving children all over the world. You have the admiration not just of myself, but anybody who has followed these issues, and your credentials are absolutely impeccable.

That being said, North Korea is indeed a pretty sorry place. There are children and people that are starving, without question. There is food that is going there that is inadequate, and we sit here and quibble about whether or not some of the food is being diverted.

I have been to North Korea as well. I know that in that nation of a little over 20 million people, which means about 10 million men, probably 7 million of which are of fighting age, of which there is a million men standing army, North Korea has one of the largest standing armies in the world. You add that up, plus all of those in the reserves, and everybody in the country anywhere near the capital, at least, is in uniform. In addition to the standing army, there are millions and millions who are also part of the army.

If you have a country where all of the people are in the military, how many children—this is a rhetorical question—how many children are not the children of soldiers? Innocent children, most of them have fathers who wear uniforms and carry guns. Do they not get fed?

That is not to say that the army is supposed to divert the food. It is supposed to be distributed in an equitable way. But is there any country to which aid is given, either from external sources or from within—can we say that the food that we have for people who are on welfare is distributed without any diversion? Do we have waste and fraud and diversion within our system? Do we not fight that in this Congress all the time? Is it not those who disagree with providing aid to the poor altogether who just narrow in on the aspect of let us not do this because it is not distributed 100 percent efficiently?

We have fought those fights together, and I think we have to be cognizant of those nonissues when we deal with North Korea as well.

One of our colleagues before brought up the issue of market impact in North Korea. Is there a market? You have been there five times. Is there any market in North Korea?

Mr. HALL. There is no market there.

Mr. ACKERMAN. So there is no market impact on anything?

Mr. HALL. If there is a market, it is illegal.

Mr. ACKERMAN. Markets are illegal. So there is no market impact on anything, it is a complete nonissue, and those who are familiar at all with the area know and understand that.

You are zeroing in on the GAO report. The GAO is an office that we have had tremendous confidence in over the years. I think that it is regrettable that there has been so much doubt cast upon this particular report, and I think that perhaps this should not spill over on to the entire agency.

But a question was asked before that had me a little bit confused. That was, did the author of the report have any bias against North Korea? I would ask if the author of the report, in your view, had any bias against the World Food Organization?

Mr. HALL. I don't know a lot about this. This continues to come up frequently since this report came out. What I have heard is that one of the investigators, one of the persons who had something to do with this report, applied for a job with the World Food Programme a few years ago. It was a very good job, and he was turned down. Some people have felt that that played a part in this report. I don't know.

My staff asked Mr. Nelson about this, and he assured us that they would look into this potential problem.

Mr. ACKERMAN. Thank you. I think the next panel should expect that we will ask that question.

One further comment, if I may, Mr. Chairman. One of our colleagues brought up the analogy of teaching children to ride a bicycle. Sometimes you have to let go of the bicycle, otherwise they don't learn how to ride a bike. I taught my children how to ride a bicycle, too, but in putting them on the bicycle the first time, I wouldn't let go as they were going down a 45 degree incline toward the river.

The other thing is, when we talk about maybe we should go in and insist, as we do elsewhere, that people get their house under control economically, that they put in certain reforms before we help feed them. We don't do that. When children are starving, we don't rush in to the family and say, well, let me take a look at how you are keeping your checkbook or what you are spending your money on. You feed the children first as you work on the politics and the program in another forum. I don't think that we should take out the politics. I would ask you to comment on that—to take out the politics of a country that is one of the most repressive regimes in the world on the poor, innocent children that are going to have to grow up within that regime.

Mr. HALL. First off, Mr. Ackerman, I appreciate your statement. What you said about me was very kind. It is not true, but it is very, very kind. I love hearing it, and I wished I could make a statement after that as well as you could the way you have articulated this whole situation.

This is a particularly difficult situation, the Korean Peninsula, and not only because people are starving to death, which we are trying to address. The fact is we have 37,000 American troops there, so the food shortage is very relevant to us. It is also very relevant to the South Koreans, because they are within a short missile range where a lot of damage could be done very quickly. At any one time we have several hundred thousand Americans in Seoul, which is very close to the DMZ.

There are so many things involved with this. First, it is the right thing to do because we don't use food as a weapon, we are helping people to live, and there has been a big change in North Korea toward us as a result of that.

Second, and this is something I cannot overemphasize, our military people in South Korea have said to me, time and time again, can't you keep the rhetoric in Congress down on the North Kore-

ans? We believe this humanitarian aid, the trips that I have taken, and the Perry trip have really helped. Can't you keep the rhetoric down? It is very dangerous here, it is a very stressful time, especially with the rhetoric coming out of North Korea, the missile tests, et cetera, This food aid has made a tremendous difference, and it is helping with the peace process. The fact that the President lifted the sanctions bought us a lot of time, a lot of time.

The bottom line in North Korea and other countries in crisis, is government people and military people, they never die. They always have food. They have their own reserves. They grow their own food. They are probably getting a significant amount of their own food for government and military people from China as bilateral aid that is not monitored.

Our aid is monitored as best we can. We can do much better, and we are always pushing. I remember when the World Food Programme only had three people in the country. Now they have 100, and a good portion of them are monitors. We are not monitoring as best we could, but we are making checks. I myself have seen food being delivered to people in very small villages to take home. That doesn't say that there isn't some kind of diversion.

We are doing the right thing. It is a difficult political climate, but I can't tell you how proud I am of this country, of our staying in there in a most difficult situation and helping people we don't know a whole lot about, people who have been sheltered in this Hermit Kingdom for 50 years. If everybody in this room here was sheltered for 50 years in this room, without getting out, as soon as we got out the door we would seem kind of strange to other people as well. That is what has happened. They are changing gradually.

Chairman GILMAN. Gentleman's time has expired.

We are pleased to be joined today by the gentlelady from Florida, Mrs. Fowler, who is a Senior Member of the Armed Services Committee and also a Member of the Speaker's Task Force on North Korea. Mrs. Fowler.

Mrs. FOWLER. Thank you, Mr. Chairman, and I want to thank Congressman Hall for all that he does and continues to do for needy people around the world.

I share the views of my colleague who spoke earlier, because I know how much you do and how much you care in your efforts. You have been to North Korea probably more than any other Member of Congress, so you do have a great knowledge and better understanding than many of us of what is going on there. But I also share some of the concerns that have been expressed by some of my colleagues. When you use a phrase like "buying time" when we are giving this aid, my view is that it bought them time to make more nuclear weapons.

This is a regime that, I think, we have to trust but verify. We have to work with them and move forward together, but we have to verify every step of the way, whether it is food aid or fuel aid or whatever kind of aid we are giving. But, as you have said, it is very difficult to understand how they operate and what they do.

I would just like to ask a question that you alluded to earlier on, and it has been of concern to me. In going back to this reference of riding a bicycle and whether you do or not depends on how you learn, one of the factors that hasn't received much discussion in the

GAO report is the environmental policies in North Korea. Those directly relate to production of food. You refer to the deforestation that you have seen throughout the country. There are a lot of other unwise environmental policies that the country has followed which have contributed to a lot of the disasters that they have chronically, and that have an impact on their food production.

So I just am interested, in light of this massive food aid program that we have that is ongoing with them today, what if anything our government is doing, or do you think we should be doing in terms of insisting on some changes in their detrimental environmental policies? Because, again, they will never get to the point of being able to sustain themselves in food production if we don't do some of that, too. We are ready to force environmental policies. We want to on trade agreements with other nations. What are we doing with this nation as far as trying to get them to move forward in that area? Do you have any information on that? I didn't know. . .

Mr. HALL. First off, we are not doing anything. We can't. We are limited by law because we cannot be part of any development assistance for this country. Until that law changes, we cannot contribute or be part of any reforestation, agriculture reforms, or other developments.

There are some reforms that North Korea has agreed to with UNDP, a package of environmental and agriculture reforms.

Mrs. FOWLER. That is what I meant as our insisting on some of these types of reforms—conditioning our aid, our food aid, our fuel aid, or any of these types of aid on that being part of it—that we are not doing it for them, the reforms, but they themselves in working with the appropriate groups.

Mr. HALL. I see nothing wrong with conditioning development assistance on certain reforms. I don't see any problem with that at all. I think we should. I have problems with putting conditions on food assistance.

Mrs. FOWLER. On fuel or things like that?

Mr. HALL. There should be no conditions, period. Give food, keep people from dying. That is it, period. That should always be our policy. That has always been the policy of our government. We have always had that policy, even toward the worst regimes of the world, and that should always be our policy.

These other policies, agricultural aid, environmental aid—the reason there are no trees in the country is because they don't have any power. People are going up in the hills and cutting all the trees down. If you stay up-country, out of Pyongyang—a lot of people just go into Pyongyang, they see people look a little bit better, they are dressed a little bit better—but you get out of the capital, there are no plants working. There is no heat in any hotels. There is no power in the hospitals. People are walking everywhere. You can be on the road and you will never see a car, or the only thing you will see is maybe a military truck. That is it. They don't have power. So what they are doing is they are going up into the hills, and they are cutting the trees down.

Mrs. FOWLER. As you know, part of our effort is to help them with their power. I have deep concerns about what this Administration is working out. We were in a briefing, the Chairman and I, a couple of weeks ago when we received information that is not

classified—some of what we got is classified—that the two light-water nuclear reactors that the Administration is moving forward to allow the North Koreans to have are such that they could produce several score of nuclear weapons a year with the plutonium drawn-off of them versus the one they had been using which could only produce a handful, and that there are other forms of producing electricity. If this was a country really interested in producing electricity for their citizens and really interested in peace, there were other manners in which this could have been done.

I do worry about the Administration sacrificing the short-term together with the long-term national security of the United States of America, and I think that is something we have to continue to work on. That isn't a subject for which you are here today, but those types of things color the way many Members of Congress look at it.

Mr. HALL. I am not an expert, Mrs. Fowler, on the nuclear reactors and the 1994 Agreed Framework in that program, but I did read the various debates and excerpts from the last debate you had on it. I think Mr. Cox referred to a capability to produce several hundred nuclear missiles. That has been refuted. That is not correct. As a matter of fact, I think there is a report here today by scientists saying that there is no way—

Mrs. FOWLER. They are definitely going to throw-off several hundred kilograms of plutonium per year, and the answer we get is, well, it is not, "weapons-grade plutonium". It can be used to make nuclear weapons. We have had scientific testimony about that.

Mr. HALL. Here, again, I am not an expert. This report just came out today to the Committee. So I think they don't feel that what Mr. Cox said was accurate.

Mrs. FOWLER. Mr. Cox was in the same briefing I was in, and Dr. Graham, who provided us with that testimony, is pretty knowledgeable in that area. We all want to help them with providing electricity. As you say, part of the key is getting heat, getting electricity, but we prefer to do it in manners in which it would be used peaceably and not used against us, but that is for another day.

Thank you very much for all that you do and continue to do around the world. You really set a good example for everyone.

Mr. HALL. Thank you.

Chairman GILMAN. Thank you, Mrs. Fowler.

What report were you referring to, Mr. Hall?

Mr. HALL. This is by the Institute for Science and International Security. It is titled, "Light Water Reactors and Nuclear Weapons in North Korea". It says, "Let's Be Fair with Our Comparisons", and it is a report that just came out today. I haven't even read it.

Chairman GILMAN. What is the date on that report?

Mr. HALL. October 27th.

Chairman GILMAN. We will be pleased to make it part of our record, without objection.

We want to thank you, Mr. Hall, for your time and for being here with us and for your observations which I am certain will be of help to our Committee. Thank you, sir.

Mr. HALL. Thank you, Mr. Chairman.

[The information referred to appears in the appendix.]

Chairman GILMAN. We will now move to our second panel.

I would like to welcome the next panel comprised of Benjamin Nelson, Director of International Relations and Trade Issues with the General Accounting Office; and Ms. Gary Jones, Associate Director for Energy Resources and Science Issues, Community and Economic Development Division of the General Accounting Office.

We welcome both of you. Please feel free to summarize your statements. We will submit your entire statement for the record. I would ask our Members to withhold their questions until your testimony is complete.

Chairman GILMAN. Mr. Nelson, you may proceed as you wish.

**STATEMENT OF BENJAMIN NELSON, DIRECTOR, INTERNATIONAL RELATIONS AND TRADE ISSUES, GENERAL ACCOUNTING OFFICE**

Mr. NELSON. Good morning, Mr. Chairman and Members of the Committee. I am pleased to be here today to discuss certain issues relating to food aid to North Korea.

Let me say at the outset, we fully recognize the many interests that the United States has in connection with North Korea. While our food aid has been provided for humanitarian reasons, this is but one of many North Korean issues which are of interest and concern to the United States.

I also would like to make clear that we recognize the difficulty of the situation in North Korea. We also understand the conditions under which the WFP is operating, and I would like to make clear that we do not doubt that there are problems in North Korea caused by a food shortage.

The humanitarian challenge in North Korea is real. While there are differences of opinion regarding the severity of the conditions, there is no disagreement that much human suffering has resulted from the past and current food shortage. In addition, based on available information, it appears that women, children and the elderly are bearing a disproportionate share of this human suffering.

The WFP has taken special steps to deal with the challenges associated with this food shortage, including various constraints imposed by the North Korean government. Specifically, they have assembled a comparatively large country presence and have developed monitoring procedures that are more extensive than in many other food aid countries. There is general agreement among U.S. Government and NGO officials that the WFP is trying hard and doing well under very difficult circumstances. Moreover, there is evidence that outside food aid is making a difference, especially in the case of malnourished children.

Given this background and, hopefully, the required context, I would now like to address the primary subject of my testimony, namely, what is being done to provide accountability for U.S. Government donated food aid to North Korea. My statement is based on the results of our recently issued report to this Committee on that subject.

As has been established, the United States is one of the largest donors of food aid to North Korea, with cumulative donations of about \$365 million since 1996, and most of this aid is channelled through the United Nations World Food Programme. The U.S. Department of State says that this food aid is being provided for hu-

manitarian purposes, but believes that donations may also improve the climate for bilateral relations generally.

Our charge was, first, to examine whether the WFP can adequately account for U.S. Government donated food aid to North Korea and, second, to prevent possible diversions of food aid to the military and ruling elite. I would like to point out that we were not tasked to determine whether food aid is needed, the impact of the food aid, the living conditions of the citizens of North Korea, nor whether the food aid program should be continued.

In short, the answer to the specific questions that we were asked to address, recognizing that context is always needed for policy-makers, the simple answer, the inescapable answer, is that the WFP under current conditions cannot provide assurance that the food is being stored and used as planned. That is our primary conclusion, and I believe that any analysis of the facts we observed would lead to that same conclusion, and it is consistent with the views of numerous other organizations who have experience in North Korea.

I would like to point out that we base the conclusion that the WFP doesn't have reasonable assurance upon three basic building blocks. The first one is that the North Korean government limits the ability of the WFP to assure accountability. The government controls the distribution of food and restricts the WFP's ability to monitor how the food is used. In other words, there are no independent checks on locations where food is distributed. Independent, random visits are not permitted, and the WFP is working in an environment where it does not have complete information about the number, name and location of institutions or the number of beneficiaries.

The second major reason is the limitations in the tracking system that is used in North Korea. While food is tracked from the port to country warehouses, deliveries to institutions that actually distribute the food are not tracked.

The third principal reason is that the North Korean government has not provided the kind of audit reports that are normally found in a food aid situation. The government to date has not provided a single one of the reports that are required in the agreement with the WFP.

In conclusion, Mr. Chairman and Members of the Committee, the WFP and U.S. officials have emphasized that there is no evidence of significant diversions to military or government elite. However, due to North Korean constraints, the WFP is unable to provide independent assurance that food aid distributed by North Korean authorities is reaching targeted beneficiaries, and we view this as an essential element of accountability over U.S. donations. We make recommendations aimed at improving accountability by using diplomatic means to encourage North Korea to allow greater oversight and by encouraging the WFP to provide comprehensive and timely reporting on food aid distribution within North Korea.

Mr. Chairman, this concludes my opening statement. I will be pleased to answer any questions about our work or any of the other matters that have been raised here today regarding the GAO.

Chairman GILMAN. Thank you, Mr. Nelson.

[The prepared statement of Mr. Nelson appears in the appendix.]

Chairman GILMAN. Ms. Jones.

**STATEMENT OF GARY L. JONES, ASSOCIATE DIRECTOR FOR ENERGY, RESOURCES AND SCIENCE ISSUES, COMMUNITY AND ECONOMIC DEVELOPMENT DIVISION, GENERAL ACCOUNTING OFFICE; ACCOMPANIED BY PHILLIP THOMAS, EUGENE E. ALOISE AND RICHARD SELDIN**

Ms. JONES. Thank you, Mr. Chairman.

My remarks this morning are based on our report on the status of heavy fuel oil delivered to North Korea under the October 1994 U.S.-North Korea Agreed Framework. I want to discuss the two areas we reported on.

The first area is the status of heavy fuel oil funding and deliveries. As of July 31st, 1999, 1.9 million metric tons of heavy fuel oil had been delivered to North Korea at an approximate cost of \$220 million. Contributions by the United States, the European Union and 21 other countries, as well as loans, financed these purchases.

For the first 3 years of the 1994 Agreed Framework's implementation, shipments to North Korea were not regular and predictable because KEDO did not always have sufficient funding. For the past 2 years, shipments have been more regular due to increased funding from the organization's members and other countries and decreasing commodity and freight prices. However, a recent rise in these prices resulted in KEDO requesting additional funds to pay for this year's remaining scheduled deliveries. The United States provided a little over \$18 million to cover these deliveries, bringing the total U.S. contribution for fuel oil purchases to about \$157 million.

The second area we reported on is the controls in place to detect the diversion of heavy fuel oil and any limitations to these controls. The U.S. State Department and KEDO began implementing a monitoring system in 1995. The purpose of this system is to ensure that the seven North Korean heating and electricity generating plants that are authorized to use KEDO-supplied oil use it only for heating and electricity production. KEDO's portion of the monitoring system consists of meters that measure the flow of heat to boilers, recorders that compile daily and cumulative information on flow rates, and periodic monitoring visits to each plant.

KEDO has experienced recurring problems with its monitoring system. Monitoring equipment installed at each of the seven sites did not work at various times since it was installed. However, neither KEDO nor its contractor, Fluor Daniel, has found evidence of tampering with the equipment that could have caused these outages. Rather, they attributed these problems to power outages and widely fluctuating electrical frequency at the facilities that is akin to power surges and drops. Equipment that was initially installed to compensate for the fluctuations did not completely fix the problem. However, KEDO hopes that more advanced equipment recently installed will allow for continuous monitoring.

KEDO's monitoring system by itself is not designed to provide complete assurance that the heavy fuel oil delivered to North Korea is being used as prescribed by the 1994 Agreed Framework. For example, KEDO does not monitor the tanks and excavated

open pits that store some KEDO-supplied heavy fuel oil at delivery ports and at plants where it is being consumed. Also, monitoring equipment is not installed on the numerous rail cars and pipelines used to transport the heavy fuel oil from the delivery ports to storage, then to the plants where it is consumed.

A January through April, 1999, outage of KEDO's monitoring equipment at the Sonbong Thermal Power Plant illustrates the limitations of KEDO's monitoring system. During this period, North Korean data, which was all that was available since KEDO's flow monitors were not working, reported that heavy fuel oil was being consumed at levels substantially exceeding those historically recorded at Sonbong. North Korean data were based on the levels of heavy fuel oil in the plant's storage facilities. However, since flow meters didn't work and KEDO does not monitor storage facilities, it could not verify North Korea's statistics or their explanation as to why the oil consumption was high.

To supplement KEDO's monitoring system, the U.S. Government uses national technical means to provide additional confidence that the heavy fuel oil is being used for heating and electricity generation. The U.S. State Department reported to the Congress in March, 1999, that KEDO's monitoring system, along with these national technical means, give the Department confidence that the heavy fuel oil has largely been used as prescribed by the 1994 Agreed Framework. While they admit that it is theoretically possible to extract other types of fuel from this oil, State Department officials believe that the process would produce such a small amount of more useful fuel that there would be little incentive to do so. State Department officials have acknowledged that over 5 years perhaps 5 percent, or 75,000 metric tons, of heavy fuel oil has been used for unauthorized purposes. According to State, however, there is no clear evidence of any significant diversion to unauthorized purposes.

Thank you, Mr. Chairman. That concludes my remarks.

Chairman GILMAN. Thank you very much.

[The prepared statement of Ms. Jones appears in the appendix.]

Chairman GILMAN. Did any of our other panelists wish to testify?

In that case, I note that your work did not include a visit to North Korea, Mr. Nelson, to perform independent checks on food distribution locations. What were your efforts to try to get into North Korea, and what was the disposition of those efforts?

Mr. NELSON. Mr. Chairman, we did try to visit North Korea, but I would like to put the visit in perspective. We tried to visit North Korea, and we were supported by the U.S. State Department, as well as the World Food Programme, but we were ultimately denied visas.

We were working to produce a report in time that was needed by the Congress, and we put forth a great effort. Unfortunately, we were not allowed to get in.

But the fact that we did not visit North Korea does not diminish the quality of our findings and observations. If we had gone to North Korea under the same conditions that the WFP has to operate under, we would have been controlled, and we would not have had independent access to the distribution facilities.

So, under this scenario, normally it would be GAO's practice to visit locations to see firsthand what is going on, but typically we have freedom of access or we have the ability to select the locations that we visit. In this particular case, we would not have had the freedom to do so. However, I must admit that a visit would have been beneficial in that we would have had a firsthand observation.

Chairman GILMAN. Mr. Nelson, have you had an opportunity to monitor food distribution in other countries where we provide aid? Has your agency monitored or assessed the competency of our food aid to other countries?

Mr. NELSON. That is correct, Mr. Chairman. GAO has done extensive work in this area and has monitored specific food aid efforts in different locations. The primary difference in this case is the independence and the access.

In the other food aid countries, the WFP and other officials have much more freedom to select the institutions, to do random spot checks and to have more control over the handling and distribution of the food. The reports that we have seen from all of the members of the consortium that are working there is that their access to the institutions is limited, and in some cases, the response to those visits are seemingly staged such that all of the numbers add up. All of the statements can support the same type of outcome.

Chairman GILMAN. Mr. Nelson, did you have an opportunity to speak to any of the country directors of the World Food Programme in North Korea, from North Korea?

Mr. NELSON. Yes, sir, we did. I did not personally speak with the country director. The members of my team did. Mr. Phil Thomas, who is on my left here, in fact had quite a lengthy conversation with the country director. He can respond to any specific questions you might have or just elaborate on what I said.

Chairman GILMAN. Mr. Thomas, would you be kind enough to tell us something about that discussion you had with the country director?

Mr. THOMAS. We met with Douglas Broderick when he was on home leave in July this summer, and essentially it was an attempt to get general information on the WFP's program.

Chairman GILMAN. What did Mr. Broderick have to say about his capability in monitoring the food aid to North Korea?

Mr. THOMAS. That they were constantly working with the North Koreans to improve monitoring and accountabilities, and that the system was not perfect but that they were trying very hard to upgrade the system.

He was an advocate of our getting into North Korea. He wanted to assist in the approval of our visas, and we were confident we were going to get in, up until the day before we were to go and our trip was canceled.

Chairman GILMAN. Mr. Thomas, did you ask at the U.S. State Department for help with obtaining visas for that?

Mr. THOMAS. We did.

Chairman GILMAN. Did they try to assist you?

Mr. THOMAS. That was our understanding, Mr. Chairman. We spoke to officials at State, AID, USDA, and WFP, and they all were strongly supportive of our getting into country. I believe PVOC members were also supportive of us getting into country.

Chairman GILMAN. Mr. Hall testified that had you made sufficient, adequate attempts to get in, you probably would have been granted a visa. What is your opinion?

Mr. THOMAS. We have no prior experience in attempting to get into North Korea. We tried vigorously to get in, but we were on a very tight timeframe because we were required to get a report to you by the end of September or early October. We had constructed a timeframe to go into North Korea in early August, and we got the response the day before saying that they did not want us in. Through intermediaries we were told that they felt they had enough monitoring and auditing, and that our trip was unnecessary. We felt it was a fairly strong response.

Chairman GILMAN. I understood they listed about 10 reasons why you would not be granted a visa.

Mr. THOMAS. This is correct, but essentially they boiled down the fact that they were being adequately monitored by the WFP.

Chairman GILMAN. Did Mr. Broderick have any information with regard to diversion of food assistance?

Mr. THOMAS. He did not. He said that there may be minor diversions, I think as Congressman Hall may have referred to earlier, but that generally the system was pretty tight.

Chairman GILMAN. Thank you very much, Mr. Thomas.

Mr. Nelson, in light of our larger national security and humanitarian concerns regarding North Korea, what exactly is the importance of accountability in this case?

Mr. NELSON. Mr. Chairman, I think that has been established earlier, I believe, by Congressman Hall in that our objective is to feed the hungry and provide food to those with the greatest need. Our goal is to provide food for children, women and the elderly. Accountability is important to assure that those objectives are being met, that the food is, in fact, going to those who are most in need, and that is an essential element for continuing support of the program.

Chairman GILMAN. Mr. Nelson, you heard the prior testimony. One of your investigators was personally attacked. Do you have any statement you would like to make about that?

Mr. NELSON. Yes, I would, Mr. Chairman.

Chairman GILMAN. Please.

Mr. NELSON. First of all, I would like to say that the assertions that were made concerning an individual of my staff were thoroughly looked into and found to be without merit.

Second, the GAO product is an institutional product. Every report that leaves the GAO undergoes a rigorous review by disinterested third parties, as well as scrutiny by each level of senior management, by the way, which is a frequent complaint of the staff, that they have to go through too many hurdles to get their reports out. Nevertheless, that process has served us well over the years, and this product underwent the same kind of scrutiny that any other GAO product would go through. There are procedures in our process to assure that no one individual can influence the outcome of a message and that counter positions are fully disclosed and developed.

So, the allegation involves whether a person at GAO actually applied for a job at the WFP, and in fact that is true, but it is irrelevant to the quality of this report.

Chairman GILMAN. Thank you, Mr. Nelson.

Mr. Ackerman.

Mr. ACKERMAN. Thank you, Mr. Chairman.

It is just unfortunate and regrettable that happenstance has taken place, because it certainly has created a cloud of confusion, shall we say, as to the veracity of the report itself.

Despite the fact that it can go through as many procedures as possible by staff and senior staff, nobody could disagree with anything that anybody would say in this matter, as a matter of fact, because nobody has been there. That is basically the premise of your report, that you couldn't get in to monitor what the World Food Programme was actually doing. Isn't that accurate?

Mr. NELSON. That is correct, sir.

Mr. ACKERMAN. I will do my last question first. Is the World Food Programme doing a good job in North Korea?

You can look at me. You don't have to look at the Chairman when you say it.

Mr. NELSON. I would have to say the consensus is they are doing quite well under very difficult circumstances.

Mr. ACKERMAN. I will take that as a yes. The circumstances—they are not able to change the circumstances to do a better job. Are they doing the best job they can under the circumstances?

Mr. NELSON. Sir, I wouldn't be able to render an informed opinion as to whether they are doing the best they can do. What I can say is that the plan or strategy that they developed for North Korea would be more aggressive than other situations. However, we have to go back to my earlier statement that says they have not been able to implement that plan.

Mr. ACKERMAN. Through no fault of their own?

Mr. NELSON. Through no fault of their own.

Mr. ACKERMAN. Is there a way, in your opinion, that they could have done a better job?

Mr. NELSON. I think there is some discretion regarding whether to delay a shipment or to impose other penalties that the WFP could possibly use, but I think overall, the consensus is they are doing a fairly good job there.

Mr. ACKERMAN. That is a very important statement, and I appreciate that.

You say that you were under a time constraint to get this report to the Chairman. You said before, in answer to his question, that you were basically rushed. Why were you under a time constraint to rush this report to the Chairman?

Mr. NELSON. Mr. Congressman, I don't believe I said that we were rushed.

Mr. ACKERMAN. You said, "we operated under a time constraint, as you know, Mr. Chairman, to get this report to you".

Mr. NELSON. Yes.

Mr. ACKERMAN. Why were you rushed to get the report to the Chairman?

Mr. NELSON. Congressman, we try to honor the requests that we get from you all regarding when you need a particular product, and we work with you on the scope of work.

Mr. ACKERMAN. Did you advise the Chairman, or is it anywhere in the report, that you could have done a better job had you not been rushed?

Mr. NELSON. No, sir, it is not, because I believe that the product we produced will meet all of our relevant standards for both quality of evidence, clarity of presentation, as well as sources of information.

Mr. ACKERMAN. Could you tell us what percentage of the food is diverted to the army?

Mr. NELSON. We have no information that food is being diverted to the army.

Mr. ACKERMAN. None whatsoever?

Mr. NELSON. We are not aware of any.

Mr. ACKERMAN. Can you tell us what percentage of the oil is being diverted to the army?

Ms. JONES. We could discuss that with you, Mr. Ackerman, in a different venue.

Mr. ACKERMAN. I appreciate that, but there is no way of telling what amount of food, if any, is being diverted to the army. I think that you have run into the same problem that the World Food Programme has run into, that the U.N. has run into, that the IAEA has run into, to walk North Korea back from the precipice of nuclear calamity, and that is, you really can't get in. You do know that there are starving people in North Korea?

Mr. NELSON. Yes, sir, that is very well established.

Mr. ACKERMAN. Very well established. You do know it is the policy of this country to try to assist those people that are starving?

Mr. NELSON. I understand that, sir.

Mr. ACKERMAN. We are doing that to the best of our ability—the World Food Programme is, as you said before, to the best of their ability under the circumstances?

Mr. NELSON. Under the circumstances.

Mr. ACKERMAN. I appreciate it. Thank you very much. Your testimony has been very helpful today.

Chairman GILMAN. The gentleman's time has expired.

Mr. Knollenberg, who is here with us from the Foreign Operations Subcommittee of the Appropriations Committee, and also serves as a Member of the Speaker's Task Force on North Korea. Mr. Knollenberg.

Mr. KNOLLENBERG. Mr. Chairman, thank you very much. I welcome the panel.

I want to focus on the oil issue, specifically the diversion matter. I appreciate the idea that we can get some facts on the table regarding the Administration's policy with North Korea. I know some Members have expressed concerns about partisanship in this process, but, when the dust settles from all of that, I am afraid we all have no choice but to deal with the facts. Having been, as the Chairman mentioned, a Member of the Appropriations Subcommittee on Foreign Operations since we first started funding the Administration's 1994 Agreed Framework, I would like to point out two facts pertaining to U.S. law regarding aid to North Korea.

First: By law, in order for U.S. aid to be disbursed to North Korea in the form of KEDO-supplied heavy fuel oil, North Korea must be, “complying with all provisions of the Agreed Framework”. Now, that fact should seem logical enough. Congress is simply requiring North Korea to live up to the provisions it agreed to in 1994. This condition has been included in the Foreign Operations Appropriations Acts since we first began appropriating aid to North Korea through KEDO.

Second: The 1994 Agreed Framework specifically states that KEDO-supplied heavy fuel oil shall only be used for, “heating and electricity production”. In other words, any use of this oil for purposes other than heating or electricity production constitutes a violation of the 1994 Agreed Framework.

If we put these two facts together, we have some simple logic I think that anybody can understand. Under current law, if North Korea diverts KEDO-supplied heavy fuel oil to purposes outside of the 1994 Agreed Framework, U.S. aid to North Korea through KEDO must cease. So the question that we must ask today is, has oil been diverted? If the answer is yes, U.S. law says we have to stop giving aid to North Korea. Again, this is a simple fact. It is counter to U.S. policy.

Regarding the question of diversion, Ms. Jones, I would like to ask you about GAO’s investigation. According to the report, the U.S. State Department officials have acknowledged there is evidence that some of the heavy fuel oil has been diverted. However, the report also states that, according to the State Department, there is no clear evidence of any significant diversion to unauthorized purposes of the 500,000 metric tons of heavy fuel oil that is delivered annually to North Korea. The question I would like to get to here is, what is the State Department’s definition of significant? The State Department says there has been some diversion, but it isn’t significant. I must say, this inconsistency deeply concerns me and, I think, many people. So the question, Ms. Jones, is, did the State Department offer GAO any further explanation of their definition of a significant diversion?

Ms. JONES. Mr. Knollenberg, in the course of our work in trying to determine what significant meant, you look at the legislative history and the law itself, and there was no definition. So we went to the State Department to try to clarify what their criteria would be in terms of defining “significant”. The U.S. State Department does not have criteria for that, but in discussing it with State Department officials, one told us that he would say that maybe 100,000 metric tons in one given instance could be considered significant, or if it was given to the military it might be considered significant. However, he also said that you could drive a truck through the word “significant” from a definitional standpoint.

Mr. KNOLLENBERG. So is 5 percent significant? Is 25 percent significant? Does it have to be 100 percent to be significant? I guess close enough for government work—is that what we are looking at? Now, what is GAO’s definition of significant?

Ms. JONES. I would not try to define the word “significant” as it applies to this legislation. That would not be our role to do that.

Mr. KNOLLENBERG. I believe it is clear this report contains significant evidence of significant diversion. Given its evidence and

consistence with U.S. law, aid to North Korea should cease, and I urge my colleagues, the Administration and the American people to consider this report very, very carefully before we spend any more money to aid North Korea.

Mr. Chairman, I yield back.

Chairman GILMAN. Thank you, Mr. Knollenberg.

Mr. Gejdenson.

Mr. GEJDENSON. Thank you.

First, I would like to go to their use of heavy fuel oil. Is that No. 6? Is that what it is, generally?

Ms. JONES. Excuse me, No. 6?

Mr. GEJDENSON. Is that what it is generally referred to in the oil business?

Ms. JONES. It is at the bottom of the rung, yes, sir.

Mr. GEJDENSON. So it is very heavy. It has to be heated to be used.

Ms. JONES. Yes, sir.

Mr. GEJDENSON. Can it be refined for diesels or other things?

Ms. JONES. It can be refined, but it takes an awful lot to get it there.

Mr. GEJDENSON. It is a low-grade oil used generally in furnaces?

Ms. JONES. Correct.

Mr. GEJDENSON. If there was a diversion, it was diverted to heat something else or generate electricity someplace else. You are not making rocket fuel out of this? You are not making gasoline? You are not making diesel oil?

Ms. JONES. Typically, heavy fuel oil is used for heating, that is correct.

Mr. GEJDENSON. I would like to ask Mr. Nelson, is there any way that you can estimate what is happening to the people in Korea as far as their diet situation since the food aid has begun? Has there been a general improvement, has it stayed the same or has there been a deterioration for the general public since the food aid program has begun, Mr. Nelson?

Mr. NELSON. Congressman, there have been reports by different individuals of improvement in the health condition of children in particular. There have also been reports of increased attendance at schools where there is food aid. However, there has not been a broad, comprehensive survey of the impact of the food aid that we are aware of.

UNICEF conducted what we call a baseline study, and had intended to follow up in cooperation with the WFP each year to try to determine the impact. However, the government has not permitted this second survey to take place. So the evidence is anecdotal, and it is the findings of different individuals, including Congressman Hall, who have visited North Korea.

Mr. GEJDENSON. As for the transparency or the lack of transparency in North Korea on the food program or the oil program, we actually have more visibility—there is more transparency in these two programs than almost anything else the paranoid isolationist government in North Korea allows for. Is that a fair assessment?

Generally, we have a society here that has blocked off all contact with the world. Yet in these two areas, we have had some moni-

toring, imperfect as it is, that is interrupted or what have you, and we have had some reviews, but it is better than the rest of the information we get on the rest of society; is that a fair assessment?

Mr. NELSON. Congressman, I have no basis to comment on that particular statement.

Mr. GEJDENSON. Let me ask you a little more precise question. Ms. Jones, your sense is yes? We get more information about the oil that we send them than the general information we get about North Korea?

Ms. JONES. As Mr. Nelson said, I wouldn't have the information to be able to respond to that directly.

Mr. ACKERMAN. Would the gentleman yield?

Mr. GEJDENSON. Yes, I would be happy to yield.

Mr. ACKERMAN. Are there not meters on the flow of oil such that you can actually come up with numbers?

Ms. JONES. That is correct.

Mr. ACKERMAN. There are no meters on anything else?

Ms. JONES. That, I don't know.

Mr. GEJDENSON. Reclaiming my time, I guess that you haven't done a report. I am not trying to put you in a box, but it seems to me anybody who has read a newspaper in the last 30 years recognizes it is a very closed society. We get virtually no information out of that society, and in these two instances, while we have imperfect information, we get more information than we generally get out of North Korea. I can tell you that because I read newspapers, not because of any particular, secret reports that I have read from the intelligence community.

I think you have done your job as you were instructed to do it. I think that what we in Congress have to decide is what is the next best alternative course. I think there is a general agreement we would all like more information from the North Korean government. I think there is general agreement we would like to see a nice democracy with freedom of speech and a free market so the people in North Korea wouldn't be starving. The question is, how do we get from where we are, a country that has imposed isolation on itself, that has caused the death of hundreds of thousands, maybe millions, of its people through starvation, and has threatened both its immediate neighbors and now potentially even neighbors some distance away?

We are involved in a policy with our allies in the region, the South Koreans, Japanese, and others, where there is a sense that we are doing the right thing.

I would just ask if there are any recommendations from any of the panel Members on what actions we could take that might give us the kind of response that, I think, we all would like to see, which is more information and more openness. Let's start maybe with Eugene here and work our way down. Are there any proposals that you think that we have a reasonable expectation of succeeding in that we might demand more information from the North Koreans?

Mr. ALOISE. In terms of the heavy fuel oil, which is what I could speak to, they are making progress in upgrading those meters.

Ms. JONES. I think in terms of our work on the 1994 Agreed Framework, we have done a number of reports on that. What we

have said is basically the North Koreans have certain commitments that they are making, and that we should make sure that they are standing to those commitments.

Mr. NELSON. As we say in our report, I think one of the things that we can do, given the very difficult circumstances and our broad interests there, is to recognize that food is very important, and continue to push for greater access and more independent monitoring in light of the fact that we need continued public support for the program. We need to make it clear that it is in the interests of North Korea to provide us with greater access.

Mr. THOMAS. The Executive Director of the World Food Programme, Catherine Bertini, recently went to North Korea. Part of her visit has always been to emphasize greater cooperation, more transparency, more participation in monitoring and accountability, and we would encourage that to continue. We think that is very important, and we think implementation of our recommendations would also be a step in the right direction.

Thank you.

Mr. GEJDENSON. Thank you.

Chairman GILMAN. Thank you, Mr. Gejdenson.

Mr. Sherman.

Mr. SHERMAN. Yes. I would like to focus a little bit on diversion and substitution. As previous questioners have elicited, we provide 500,000 metric tons of this very heavy sludge No. 6 oil. Do we have any reason to believe that North Korea has even the capacity to take that sludge and refine it into gasoline? Do they have the kind of refinery that could even try to do that?

Ms. JONES. Mr. Sherman, we would be happy to discuss that with you in a different venue.

Mr. SHERMAN. Second, that 500,000 metric tons, how does that compare with the amount of oil that North Korea imports on its own?

Ms. JONES. The 500,000 metric tons a year is about 45 percent of North Korea's annual needs.

Mr. SHERMAN. Does North Korea import its own No. 6 heavy oil with its own money?

Ms. JONES. I believe they do, yes.

Mr. SHERMAN. It would be kind of silly then for—I am not going to withdraw the question about them trying to refine the No. 6 into fuel because they wouldn't have to. The very fact that they are importing No. 6 with their own cash proves that they are using all the No. 6 for No. 6 purposes. The No. 6 we give them for No. 6 purposes which, as you have previously testified, is for the generation of heat, mostly for electric generation. So there doesn't seem to be any material diversion going on there. I am sure that if they are buying with their own cash No. 6 oil, they must be using all the No. 6 oil we give them for No. 6 purposes.

As to the issue of food, as I understand our agreements with North Korea, they are free to move into any village, take all of the agricultural produce from that village, and use it for their military, the Communist Party or the elites, and to provide that village with aid in substitution for the 100 percent tax or taking of the grain produced by that village. Now, as I understand it, our aid is only supposed to go to children under eight, mothers and the elderly,

but those folks all live in families. So if you are providing aid to them, you could be providing aid to every peasant family in that village, or in all of the villages of North Korea.

Given this, does it make any difference whether the grain that we are giving them is used in substitution so the Korean grown grain can be used for the military or whether it is diverted? Is there a difference—that it makes a difference?

Mr. NELSON. Of course, food is fungible, and I think you present a very solid scenario of what might happen. Unfortunately, we do not have the ability nor did we attempt to try to make that determination. We looked at the accountability mechanisms that were in place and rendered a judgment as to whether they were adequate to assure that the food was reaching the targeted groups. We had reservations about that system.

Mr. SHERMAN. But even if we knew that for every sack of grain that went to any village from us, that another sack of grain, locally produced grain, was leaving that village and going to the military or to the elites, it wouldn't be a violation of our agreements with North Korea, would it.

Mr. NELSON. A member of my staff just pointed out that they are not food sufficient, so it does make a difference. My reading of late indicates that there is quite a reserve or stockpile for the military, but I could not give a conclusive or a persuasive answer regarding whether it is displacement or whether it is a substitution and how any diversion would manifest itself in North Korea.

Mr. SHERMAN. The food aid we provide is what percentage of the total food consumed in North Korea?

Mr. THOMAS. It is about one-fourth.

Mr. SHERMAN. So it would be a significant amount of moving of grain to take one quarter of all the grain to be consumed in the country, distribute that out to villages, then go to those villages and extract one-fourth of the total grain in the country. How much does North Korea import with its own cash?

Mr. THOMAS. A very small amount, approximately, I think, 300,000 tons. It imports about 1.4 million tons perhaps, and it relies on food aid up to over a million tons.

Mr. SHERMAN. That is a million tons of aid?

Mr. THOMAS. Right.

Mr. SHERMAN. Imports with its own cash at about what level?

Mr. THOMAS. Three hundred thousand tons.

Mr. SHERMAN. Three hundred thousand tons, and then production inside the country of roughly 4 million or 3 million?

Mr. THOMAS. 3.5 I think someone said. These are very rough figures.

Mr. SHERMAN. Has my time expired?

Chairman GILMAN. The gentleman's time has expired.

Mr. SHERMAN. Thank you.

Chairman GILMAN. Mr. Knollenberg.

Mr. KNOLLENBERG. Thank you, Mr. Chairman.

I want to now focus on the monitoring system for the heavy fuel oil. Here is a country that has refused to make any type of reforms. I know Congressman Hall has done a great number of good things, and he continues to be, I think, an advocate for the right thing, but I would remind everybody that this is the most oppressive country

in the world. As they have the highest rate of violations for human rights, they have made no societal, economic, or agricultural reforms, this KEDO issue comes to mind now.

By law, in order for U.S. aid to be disbursed to North Korea, Congress has to be certain that KEDO-supplied heavy fuel oil is not being diverted to purposes outside the 1994 Agreed Framework. Although KEDO has a monitoring system in place, which I am going to talk about, the system is limited in the information it can provide. According to the GAO report, which I have, "there are no arrangements with North Korea for monitoring the large quantities of heavy fuel oil in storage or in transit to the plants consuming the heavy fuel oil".

Ms. JONES. That is correct, sir.

Mr. KNOLLENBERG. It goes on to state that monitoring equipment is not installed on the numerous railcars and pipelines used to transfer that heavy fuel oil from the delivery ports to storage, and from storage to the plants where the heavy fuel oil is to be consumed.

Ms. JONES. That is correct.

Mr. KNOLLENBERG. So after reading this report, it seems to me that there are some very, very large holes in KEDO's monitoring system. Would you agree?

Ms. JONES. Those are holes in KEDO's monitoring system that is correct, but it was not designed to give complete assurance.

Mr. KNOLLENBERG. I think that last statement is what I am looking for. It was not designed to give 100 percent assurance.

Ms. JONES. That is because they had complementary national technical means to help with that assurance.

Mr. KNOLLENBERG. Under the current KEDO monitoring system, what assurances do we have that oil is not being diverted through storage or transit?

Ms. JONES. I think that the U.S. State Department has admitted to a 5 percent diversion. Anything other than that, Mr. Knollenberg, we would be happy to discuss with you in a different venue.

Mr. KNOLLENBERG. I understand.

Under the current KEDO monitoring system, that we have in place, designed as it is, I could say flawed, but designed as it is, will the President ever be able to certify whether oil is being diverted?

Ms. JONES. We can't just rely on the KEDO system. It was not designed to do it by itself.

Mr. KNOLLENBERG. Couldn't the North Korean army, for example, intercept a railcar, take some oil out and send it on its way?

Ms. JONES. I assume that that could happen.

Mr. KNOLLENBERG. They have been very, very limited in what they will allow us to inspect or to see. In fact, that has been, I think, where they haven't been living up to their commitments since the 1994 Agreed Framework was initiated.

Ms. JONES. In terms of the oil monitoring, or are you talking about other issues?

Mr. KNOLLENBERG. I am talking specifically about how the design of the agreement literally allows for these holes, and that we can't be assured in any way that there isn't diversion taking place

because there is no monitoring system in place during the transit of oil in railcars, and that kind of thing.

Ms. JONES. I think, Mr. Knollenberg, that the KEDO system is looked at as really one tool in a toolbox in terms of the ability to determine if there are diversions. When you couple the KEDO system with a national technical means, there is a lot more confidence in terms of what is going on.

Mr. KNOLLENBERG. I know my time is running out here, but can you very briefly give us an idea as to how we might improve this monitoring system so that we would be able to offer some assurances of certification that they are living up to the agreement? What would have to be done?

Ms. JONES. I think, first, that KEDO has made strides in terms of the monitoring system by putting in the power surge protectors, the power conditioning machine that is allowing—

Mr. KNOLLENBERG. That is new now?

Ms. JONES. That is fairly new, yes, sir. In fact, they are kind of on their second generation and are hoping that it is going to be much more workable to ensure that there is continuous monitoring.

They have also put in systems, I think it was after March, 1997, which basically are kind of solid state systems where when the KEDO monitors come in periodically, they can download this information. It is not just the paper runs. They basically have some information off a computer, which, again, will give them more information and better information. So KEDO has made great strides in terms of their monitoring system to make it more effective.

Mr. POMEROY. Will the gentleman yield?

Mr. KNOLLENBERG. Sure.

Mr. POMEROY. I know the gentleman's time has expired, and he will be departing soon to the Appropriations Committee on which he serves, but before he leaves this Committee I would like to ask the gentleman, serving as the distinguished co-chair of the Speaker's Advisory Group, whether or not your report on the matters before the Committee this morning is completed and if we might have a copy of it?

By way of background, Joe, I understand that the *National Journal* has been given a draft report, and it would just seem in fairness, that the Democrats ought to have a report.

Chairman GILMAN. Before the gentleman yields, let me just clarify. The report has not been given to the *National Journal*. They were shown one paragraph inadvertently. It has not been released yet. It goes to the Speaker first, and he will be making a release within the next few days when the report is finally completed. At this point, it is not final status.

Mr. Knollenberg.

Mr. POMEROY. In light of that helpful information, Mr. Chairman, either of you could respond to this, if you would. The *National Journal* reported that the report alleges significant diversions, quote, unquote, of food and fuel aid. The GAO has told us that has not been substantiated. Is that in your report or is that being subject to revision?

Mr. KNOLLENBERG. I yield again to the Chairman. Whatever the *Journal* editor reported was something they gathered on their own,

but the Chairman has already spoken to the specifics of what we have released.

Chairman GILMAN. The *Journal* reporter spoke to one of our staff, and there has not been a formal release. He has not seen the full report. The report is still in the final stages of completion. Hopefully, within a few days there will be a submission by the Task Force to the Speaker, at which time he will disseminate a report to the Congress.

Mr. POMEROY. I thank you, Joe.

Mr. KNOLLENBERG. I would just like to conclude.

I think that both sides of the aisle should focus on the facts which are emerging here, and let those facts be our guide to not only how we develop policy, but also to our insistence on finding out, through transparency—which has not been a part of North Korea's policy—just what is taking place.

I will conclude with that. I yield back my time. I thank the panel very much for their testimony this morning.

Chairman GILMAN. Are there any other questions before we release the panel?

Mr. ACKERMAN. Yes.

Chairman GILMAN. Mr. Ackerman.

Mr. ACKERMAN. Mr. Chairman.

Mr. SELDIN. My name is Richard Seldin. I am counsel to the group, and I wanted to make—

Mr. ACKERMAN. You are counsel to?

Mr. SELDIN. The GAO group on these two reports.

One of the points I wanted to make in response to Congressman Knollenberg is about the 1994 Agreed Framework and the pledges. The pledge on the oil is a very broad pledge. It just talks about heating and oil production. So in terms of determining what a significant diversion is, looking back to the 1994 Agreed Framework, it is very difficult to really determine that because there are no criteria provided. There is no definitional material in the 1994 Agreed Framework.

Mr. KNOLLENBERG. Would you say the agreement was flawed by design in that regard?

Mr. SELDIN. It is a nonbinding political agreement, and I think both countries wanted some leverage, that is true.

Mr. KNOLLENBERG. I gather from what you have just said that there was something missing then. The latitude being granted by that language, as you state, suggests to me that it was drawn up purposely to allow for the inability to monitor what goes on in North Korea.

Mr. SELDIN. I can't answer that. I am not sure about the diplomatic history of the negotiations regarding the 1994 Agreed Framework.

Mr. KNOLLENBERG. I thank you.

Chairman GILMAN. Thank you, Mr. Seldin.

Mr. Ackerman.

Mr. ACKERMAN. Thank you, Mr. Chairman.

The word "significant," I believe, was left out by design to allow some latitude. Nobody wanted to box anybody in.

We can't guarantee the delivery of anything with 100 percent certainty. Go to any of our airports and they talk about how much

merchandise is lost at the airport by design, not just accidentally. I go to the garment center, and they talk about shrinkage. It is all built into the cost of doing business. I am absolutely astounded that the assertion here is not that the glass is half full or half empty, but rather that, even though we can't monitor it, at least 95 percent of the fuel oil is going where it should be.

It was asserted before that, in answer to a question by our colleague, Mr. Knollenberg, as to whether the army have taken and diverted 5 percent of the oil, that they could have.

Ms. JONES. No, I think what Mr. Knollenberg asked is could they take a railcar off-line and divert the oil that was in that railcar. It wasn't the 5 percent issue. It was basically could they divert a railcar.

Mr. ACKERMAN. Do you have any evidence that they diverted any railcar?

Ms. JONES. We could discuss that in a classified venue, Mr. Ackerman.

Mr. ACKERMAN. Do you know the answer to the question?

Ms. JONES. I could discuss that in a different venue, Mr. Ackerman.

Mr. ACKERMAN. You can say that you know the answer or don't know the answer without giving the answer.

Chairman GILMAN. Mr. Ackerman, you are not badgering the witness, are you?

Mr. ACKERMAN. I just wanted to know if they know the answer, so I don't have to go to a meeting in which I am told we don't know the answer.

Chairman GILMAN. I think the witness has said she would discuss at a different venue, indicating it may be classified.

Mr. ACKERMAN. You are reading my playbook. Thank you very much.

Could a group of bandits from Paris have snuck into the country and diverted the oil from a railcar?

Ms. JONES. I am not sure that we want to write a novel here, Mr. Ackerman. I am not sure that would be appropriate for me to respond to that.

Mr. ACKERMAN. Is it possible that that could happen?

Ms. JONES. I wouldn't want to respond to that. I would have no idea.

Mr. ACKERMAN. You do have an idea of whether or not the army diverted a railcar?

Chairman GILMAN. Mr. Ackerman, the witness has already responded to your previous question.

Mr. ACKERMAN. What would the army do with grade six heavy sludge? Without giving away any great national secrets, what could they do with this sludge besides bathe in it?

Ms. JONES. I don't know the capacity in North Korea to refine the oil, the sludge. Sludge is usually used for heating.

Mr. ACKERMAN. That is correct. Could the army use it for anything other than heating? Does the army have the capacity to refine the oil? Do you know any of the answers?

Ms. JONES. I don't know that, Mr. Ackerman.

Mr. ACKERMAN. So, it is quite possible that, even if the army did divert a railcar with sludge, that it is very likely they couldn't do

anything with it to begin with, even accepting the speculation that they could have; is that accurate?

Ms. JONES. I don't know what they could do with the oil. I don't know what capacity they have.

Mr. ACKERMAN. Nobody has asserted anywhere that the army has the capacity, or nobody believes the army has the capacity or their own refineries, and that is probably absolutely accurate from what I know.

I thank you very much for helping us today.

Chairman GILMAN. Gentleman's time has expired.

Any further questions? Mr. Pomeroy.

Mr. POMEROY. My first question would be for either Ms. Jones or the counsel from GAO relative to the 1994 Agreed Framework. In particular, in response to the last statement of clarification to Mr. Knollenberg, I believe you indicated that there was a broad political framework and whether or not there were benchmark achievements was impossible in light of the general nature?

Mr. SELDIN. I didn't say that they were impossible, but that is how the agreement was drawn up.

Mr. POMEROY. Secretary Perry has told us—Secretary Perry, former Secretary of Defense, has served as Special Advisor to the President and the Secretary of State by heading a commission congressionally charged to review policy to North Korea. Among his formal findings, they have been presented to this Committee as well, is that there has been no production of fissile material at Yongbyon since the 1994 Agreed Framework came into force. Does GAO know whether or not that is an accurate statement?

Mr. ALOISE. According to the IAEA, the freeze is in place.

Mr. POMEROY. Does GAO contest the accuracy of the Secretary's statement in this regard?

Mr. ALOISE. No, we don't.

Mr. POMEROY. The stopping of production of fissile material capable of being made into weapons-grade plutonium would seem to be a measurable, discernible, quantifiable achievement of some renown or some significance under the 1994 Agreed Framework. Counsel, would you respond to that?

Mr. SELDIN. Yes, I would agree with that.

Mr. POMEROY. Thank you.

On to the questions relative to food assistance. I must say that I participated with Mr. Hall in the discussions with Mr. Walker and with Mr. Nelson relative to the preparation of this report. I appreciate the fact that the presentation today has, I believe, helped put into context some of the attendant circumstances to the report. Let me try to highlight them now.

Does GAO accept reports from sources, be they government or NGO sources, that there is a significant food shortage problem in North Korea?

Mr. NELSON. That is correct, sir. GAO does not take issue with that statement.

Mr. POMEROY. That malnutrition has been a significant issue for North Korea?

Mr. NELSON. That is correct.

Mr. POMEROY. Does GAO note whether or not U.S. military leaders in South Korea support the effort to provide food assistance in North Korea?

Mr. NELSON. GAO is not in possession of any direct evidence that such is the case. However, we have been told by one individual that he has evidence that the U.S. military supports the food aid program, but GAO has no direct evidence.

Mr. POMEROY. You made no inquiry in that?

Mr. NELSON. I made no inquiry in that regard.

Mr. POMEROY. Does GAO have any information relative to the position of the South Korean government and the primary opposition party in South Korea relative to providing food aid?

Mr. NELSON. No, sir, we do not have any information in that regard.

Mr. POMEROY. It would seem to me that those very important stakeholders in this question, the South Korean government, the opposition party in South Korea and the United States military, might have been noted in your report for this reason. If indeed there is significant belief and substantiation of diversion of food for military sources, it would be contrary to the interests of both the military and the South Korean government. Now, the fact that they tend to be supportive of food aid rather than in opposition might weigh on the question of whether or not there is diversion of food.

I want to quote to you from a *National Journal* article which quotes the much-discussed Special Advisory Report, which is a Majority party only Task Force on North Korea. Reading from the *National Journal*, October 23rd, "moreover, the report accuses the North Koreans of, quote, significant diversions, unquote, of food and fuel donated by the international community to aid the famine-wracked countryside".

In your work, and if I read your conclusion correctly, you indicate that there are not facts to confirm that finding nor are there facts to disprove that finding; is that correct?

Mr. NELSON. In our review, yes.

Mr. POMEROY. Based on the GAO's best efforts, you have not been able to prove significant diversion, you have not been able to confirm those suspicions; is that correct?

Mr. NELSON. That is correct.

Mr. POMEROY. Is the GAO aware that the Majority Task Force has access to some sources that you have not availed yourself of?

Mr. NELSON. I am not in a position to answer that question. We are not familiar with the scope of work or the approach of the Advisory Group.

Mr. POMEROY. Primarily, the thrust of the GAO report relative to food aid is that monitoring is a problem; is that correct?

Mr. NELSON. That is the thrust of our report.

One point I would like to reiterate, Congressman Pomeroy, is that we did not raise a question of whether the aid should be provided or the impact of the aid. We were asked to examine whether there is reasonable assurance that it is reaching the intended or targeted audience. We examined the accountability mechanisms which would include the ability to do random checks, the ability to have unsupervised visits and the ability to audit distributions. That is our area of expertise, which is a management area.

Mr. POMEROY. Mr. Nelson, just to try to draw your conclusion out here, as I heard you in your opening testimony, you said you were charged with two tasks, confirming whether food aid is adequately monitored and confirming whether or not there have been significant diversions of food aid. As to the first, you think monitoring could be improved. As to the second, you do not have evidence of significant diversion, although you can't say for sure.

Mr. NELSON. That is correct. We do not have evidence of significant diversion.

Mr. POMEROY. I am heartened by one aspect of the hearing today and that is the Chairman's comments that no one is intending to cut-off food aid. I would certainly hope not in light of the significant starvation issues that face North Korea. There is a bill, however, introduced that has conditions precedent before food aid could be provided. I want to ask you a couple of those conditions and ask if you have a conclusion in terms of whether or not you believe these conditions could be met based on your audit experience in the context of this audit.

You would have to certify that previous U.S. food assistance to North Korea has not been significantly diverted to military use, and you would have to further certify that North Korea military stocks have been extended to respond to unmet food aid needs in North Korea. Do you have conclusions in terms of whether it would be possible to certify as to either of these?

Mr. NELSON. No, sir, I do not.

Mr. POMEROY. You have no conclusions.

All right. I thank the panel.

Mr. Chairman, thank you.

Chairman GILMAN. Thank you, Mr. Pomeroy.

I want to thank the panelists for being with us and for your patience and indulgence. You have provided us with significant information for this Committee's consideration. I thank our GAO for being present, and for your good work. Thank you.

We will now proceed to the third panel, but before doing so, we will take a brief recess.

[recess.]

Chairman GILMAN. The Committee will come to order.

I welcome our third panel headed by Dr. Nick Eberstadt, Visiting Scholar at the American Enterprise Institute. Dr. Eberstadt recently completed his book, *The End of North Korea*. We are glad that Dr. Eberstadt is able to join us today to give us his perspective on the Korean problem.

We also have Mr. Joseph Bermudez, Senior Analyst for *Jane's Intelligence Review*. Dr. Bermudez is an internationally recognized expert on North Korean defense issues. He is also the author of an upcoming book on the North Korean armed forces. We welcome your perspectives on the North Korean missile program.

Finally, we will hear from Ms. Nancy Lindborg, Executive Vice President of Mercy Corps International. Ms. Lindborg, we are glad you are able to join us today to give us your perspective on food aid from the NGO's' perspective.

We welcome our entire panel. I know that many of you have appeared before the Congress previously, but for the sake of time, I would request that you summarize your statements, and we will

have your full statement appear in the record without objection. As well, I would ask our Members to withhold questions until all of the witnesses on the panel have testified.

Chairman GILMAN. Dr. Eberstadt, please proceed as you may deem appropriate.

**STATEMENT OF NICHOLAS EBERSTADT, VISITING SCHOLAR,  
AMERICAN ENTERPRISE INSTITUTE**

Dr. EBERSTADT. Mr. Chairman, Members of the Committee and distinguished co-panelists and guests, it is always a pleasure and a privilege to appear before your Committee.

I was asked to discuss North Korea's economic prospects and prospects for aid-linked reform, economic reform in the DPRK today. Before I summarize my remarks, I should emphasize a couple of pretty major caveats.

North Korea is a very difficult country to understand. The DPRK is a very difficult government to understand. It is such a different government from our own that we often lack the intuitive linkages that would help us to understand it. Very little information is available about this country. Some of the few pieces of information that are available seem to be contradictory. Finally, not least importantly, the North Korean government appears to be strongly committed to a policy of strategic deception, that is to say, to misinforming and disinforming the outside world about its capabilities and intentions.

The surprise attack that launched the Korean War in 1950 may be the most well-known of North Korea's efforts in strategic deception, but it is by no means Pyongyang's only effort at misinforming the outside world about its intentions and capabilities.

That being said, I would venture five comments or observations about North Korea's economic situation and its prospects.

First, it is widely known that the DPRK is currently in the midst of an economic catastrophe, but it is important that the actual nature of that catastrophe be specified. Rampant hunger is raging in North Korea today. I don't think there is any contesting that sad fact. But the hunger crisis that we see in the DPRK today, that is to say, a hunger crisis in a predominantly urbanized, predominantly industrialized economy during a peacetime, is utterly unprecedented in the modern experience.

That hunger crisis speaks not just to agricultural failure. Modern industrial economies can feed their people even when they do not produce enough domestic food to meet their population's needs. North Korea's food crisis is indicative of a systemwide failure of the entire DPRK economy. This failure, moreover, did not start with the well-publicized floods, bad weather since Kim Il Sung's death, or even with the collapse of Pyongyang's Soviet block sponsors.

The roots of North Korea's current economic catastrophe can be traced back much further: They go back at least a generation, to such milestones as the effective North Korean default on its Western debts back in the mid-1970's. North Korea's economic travails today are not a recent aberration but, rather, represent the culmination of a long-standing development trajectory—the culmination of a particular development strategy.

Second, North Korea's ongoing economic disaster cannot be written off as simply a consequence of bad weather or bad luck. Rather, it is the direct and entirely predictable consequence of a highly perverse and destructive set of economic policies and practices, relentlessly pursued and stubbornly enforced.

When one considers the North Korean economic approach—its adherence to rigid central economic planning; its apparent penchant for planning without facts; its extraordinary hyper-militarization; its contempt for and ongoing campaign against the country's consumers; its disregard for prices in the allocation of goods and services; its indifference or even outright hostility toward possibilities for international, commercial exchange; its insistence on a particularly misguided variant of food self-sufficiency—we do not need bad weather or bad luck to explain the results that we see today.

Third, since the country's dire condition is a very largely predictable consequence of the relentless enforcement of economic policies that range from the manifestly wasteful to the positively disastrous, moderating that self-punishing regimen could be expected to bring an almost immediate measure of relief to the North's beleaguered economy. The sorts of measures that might spark the revitalization of the North Korean economy are hardly secret. The path to renewal and resumed growth runs squarely through the international economy.

Why then has the DPRK leadership not seized those obvious options for remedying the economic catastrophe that it so plainly confronts? Kim Jong Il's continued reticence about embarking upon a more pragmatic course appears to be a deliberate and considered decision, one reflecting the DPRK leadership's assessment and understanding of its own political system.

I could cite many particular instances, but let me just cite one pronouncement from DPRK press that occurred last year after Kim Jong Il's succession to the top state post.

"It is a foolish daydream" DPRK authorities emphasized, "to revive the economy by introducing foreign capital, not relying on one's own strength. If one wants prosperity of the national economy, he should thoroughly reject the idea of dependence on outside forces. . . we must heighten vigilance against the imperialist move to induce us to 'reform' and 'opening to the outside world.' 'Reform' and 'opening' on their lips are a honey-coated poison." As I say, this is hardly an isolated comment.

Fourth, the DPRK does seem to have an economic strategy to see it through these perilous times. That strategy lies in establishing itself as a permanent recipient of government-to-government transfer payments. At first glance, it might seem that such a quest for financial aid would be doctrinally inconsistent with the self-reliance that North Korea espouses. It is not. From its very founding, the DPRK has embarked on a perpetual hunt for subventions from abroad.

Today, it would appear that North Korean leadership hopes to establish itself as an ever-more-menacing international security threat, thereby compelling its neighbors and, even better, its enemies, to propitiate the DPRK with a constant and swelling stream of financial gifts.

This, I should emphasize, is not merely my surmise. North Korea's intentions have been spelled out in this regard by its highest authorities. At the same September 1998 Supreme People's Assembly that elevated Kim Jong Il, North Korea's Government officially embraced a new policy objective, that of becoming what they call a "powerful and prosperous state."

The precise meaning of that slogan was articulated in the following month, when DPRK media declared: "The defense capabilities are a military guarantee for national political independence in the self-reliant economy." They went on to state, "The nation can become strong and prosperous only when the barrel of the gun is strong." Let me repeat that, "only when the barrel of the gun is strong." Credible military menace, in other words, is now at the heart of North Korea's economic strategy and its very strategy for survival.

Finally, in the wake of recent events, such as the Berlin meetings, the lifting of some U.S. sanctions and the release of the Perry Report, the question arises as to what U.S. economic relations with the DPRK and what North Korea's international economic relations may look like.

My own assessment would be that, in purely commercial terms, this new set of approaches should be expected to have only small or marginal impacts on North Korea's economic prospects.

North Korea currently engages in trade not just with the United States, but with many other OECD countries which do not have the same restrictive regimes of economic sanctions. Over the last two decades, North Korea's trade volume, in inflation-adjusted terms, has substantially declined with that group of countries. This is not because their total volume of trade has decreased; of course it hasn't. World trade has been dramatically expanding. Stagnant OECD-DPRK trade trends, rather, speak to restrictions on Pyongyang's part.

There are few signs, if any, of high-level commitment to change the direction of economic policy in North Korea. The very word "reform" is still officially proscribed. There are various additional indications that I could bring to your attention that argue for caution or pessimism about the DPRK's new economic prospects. I would be happy to go into those in discussion. But the new direction in U.S. policy toward Pyongyang, by itself, should be expected to bring little improvement to North Korea's basic economic prospects.

Thank you.

Chairman GILMAN. Thank you very much, Dr. Eberstadt.

Chairman GILMAN. Mr. Bermudez.

**STATEMENT OF JOSEPH S. BERMUDEZ, JR., SENIOR ANALYST,  
JANE'S INTELLIGENCE REVIEW**

Mr. BERMUDEZ. I would like to thank the Chairman and the Committee for inviting me to share my thoughts on North Korea.

I would like to preface my remarks with a personal statement that I am a horrible public speaker, and my comments will be very brief, but I am very good at answering questions.

Chairman GILMAN. We will take you up on that.

Mr. BERMUDEZ. During the past 30 years, North Korea has pursued a ballistic missile program. It is only in the past 10 years,

however, that we have really taken notice of it in that it has threatened not only our allies, but it is beginning to threaten us directly.

During the past 15 to 20 years, it has taken that program and exported the products of the program which has extended its threat, indirect threat, to other allies than to just the United States. The rate at which the DPRK has developed its ballistic missile capabilities is quite astonishing in some aspects. This could only have been achieved with the assistance of outsiders, which is of grave concern.

At present, their ballistic missile program consists of three families—what we call the Scud family, being the Scud B and Scud C, but which the North Koreans call the Hwasong, which means Mars, the No-dong family, and the Taep'o-dong family.

I won't go into the details of each because that would take too long. However, with regard to the No-dong family, if you look at the time lines of its development and at the time line of the nuclear program, it is clear that the No-dong was intended to be the first system to deliver a North Korean nuclear weapon, had their program proceeded unabated.

The Taep'o-dong family, which is of the greatest concern at the present time, is very interesting. The Taep'o-dong 1 is a product of taking a No-dong at the first stage and one of their earliest Scuds, the Hwasong, to the second stage and just combining them, quite simply.

The recent test in 1998, in which they combined a third stage to launch a satellite, resulted in a failed launch, but demonstrated a number of technologies in which they have skill. If that system had been used as a ballistic missile instead of as a space launch vehicle, it would have a range in excess of 4,000 kilometers. If they had done a few other things, it could have a range of approximately 10,000 kilometers with a 200-kilogram warhead, not very significant in size, but in range it actually puts the United States at risk.

The second component of the family, Taep'o-dong 2, has the ability to reach the United States if it uses a reduced warhead. It certainly can reach Alaska if everything goes well, for them that is. If it has a reduced warhead, it can strike anywhere within the United States.

Current estimates as to the total number of missiles produced by North Korea run anywhere from 750 to 1,150. Of those, approximately 300 to 400 have been sold overseas to a number of states, some of which are quite surprising. These states include Egypt and Iran. There has been possibly some cooperation with Iraq, Libya, Pakistan, Syria, the United Arab Emirates and Vietnam.

Probably the greatest concern about North Korea's program is that we simply don't know enough about it. Everybody has talked about the closed nature of North Korean society, and that is very true. North Korea has also become very adept at deceiving us and camouflaging its activity.

With that, I want to thank the Committee.

Chairman GILMAN. Thank you, Mr. Bermudez.

[The prepared statement of Mr. Bermudez appears in the appendix.]

Chairman GILMAN. Ms. Lindborg.

**STATEMENT OF NANCY LINDBORG, EXECUTIVE VICE  
PRESIDENT, MERCY CORPS INTERNATIONAL**

Ms. LINDBORG. Thank you, Mr. Chairman and Members of the Committee. I appreciate the opportunity to be here today to talk a little bit about the experiences and observations of the Private Voluntary Organization Consortium in monitoring a portion of the U.S. food assistance for North Korea.

The Private Voluntary Organization Consortium, or PVOC, is a group of U.S.-based relief and development organizations which was initially organized in response to the crushing food crisis that in 1996 was reaching famine proportions. There is ample evidence, as we have heard this morning and has been cited frequently by the Congress, that the number of deaths caused by this famine is well more than one million.

Initially five organizations formed the PVOC: Amigos Internacionales, Catholic Relief Services, CARE, Mercy Corps International and World Vision. We have now expanded to include nine organizations, and collectively our agencies represent a broad cross-section of the American public. Our respective constituencies have strongly supported our efforts and the U.S. response to this silent famine that has claimed so many lives in North Korea. In addition to monitoring food aid, all the involved organizations have contributed substantial private dollars for provision of relief assistance.

All of us share the strong conviction that it is imperative that the U.S. respond to this crisis with food and follow the policy that a hungry child knows no politics. Our experience in repressive and closed societies is that it is the children, the powerless and the elderly who suffer most.

In August 1997, the PVOC first undertook the responsibilities of monitoring a portion of the food donated by the U.S. Government. This first mission represented a historic first step of engagement between the citizens of the United States and North Korea. Since then, we have sent in a total of five teams, and the fifth team is in-country now. We have documented each of the four completed missions to date in written reports to our donors, as well as frequent briefings here on the Hill for staffers and Members.

We have been fully transparent in our desire for increased accountability and improved monitoring, and have identified the considerable work that needs to be done to bring this program in line with international monitoring standards. We also continue to work with our interlocutors in North Korea to improve the level and quality of monitoring.

We have documented in these donor reports the significant improvements in our monitoring abilities, as well as our continued conviction that there remains an urgent need for continued food aid.

In reviewing our progress since 1997, we have concluded that each mission has advanced our quest for more accountable programs and that we have built upon the experiences and findings of each team to improve incrementally our ability to monitor the food. In particular, we have increased the number of monitors and the amount of time they have been able to stay in the country. We have improved our geographic access within the county. To date,

we have sent in a total of six Korean speakers, and we have distributed food to a total of some 6 million North Koreans, for which we have received direct and gracious thanks.

As we review our programs, we see a pattern of evidence that suggests that the food is reaching the more vulnerable populations. For example, in 1998, our team reported that they were told repeatedly by officials in food deficit counties that the public distribution system, which has traditionally been responsible for distributing food to the general population, has lacked grains for several years to distribute. International food is virtually the only food keeping these people alive. One county official told our team members that as the one responsible for securing food for his county, he could not sleep any more, wondering where he would get the food. We believe that county officials, anxious to feed as many people as possible, sometimes stretch the available food to feed as many people as they can.

We have clearly identified both improvements in our monitoring capabilities within the DPRK, as well as the long road that remains ahead. We are convinced that this aid has been instrumental in saving the lives of North Koreans, as well as demonstrating to the people of North Korea the compassion of the people of the United States.

Nine U.S. food monitors are currently in Pyongyang for a 6-month program to monitor the current tranche of U.S.-donated food. Despite the monitoring challenges they face, each of the current monitors has expressed a desire to return. Many of the monitors who have gone to Pyongyang since 1997 reaffirm the strong benefit of building relationships with their counterparts in North Korea, helping to dispel the image of the United States as the enemy, and building friendship and goodwill at many levels.

Our organizations and the diverse cross-section of Americans that we represent are united in our desire to support the saving of human lives. We remain committed both to the provision of aid to North Korea and to the continued effort to increase the accountability of our monitoring abilities.

Thank you.

Chairman GILMAN. Thank you, Ms. Lindborg.

[The prepared statement of Ms. Lindborg appears in the appendix.]

Chairman GILMAN. Permit me now to address some questions to our panelists.

Critics claim, Dr. Eberstadt, that our Nation has repeatedly given concessions in response to threats from the North Korean government, thereby involving ourselves in a dangerous cycle of political blackmail. What would be your assessment of our policy, and how best can we extricate ourselves from that cycle while addressing our national security concerns?

Dr. EBERSTADT. The North Korean government faces a very unpromising situation in an awful lot of regards.

One of the few rays of hope from the standpoint of North Korean strategists, in looking at the outside world, is that the constellation of governments that it confronts most directly—which is to say Washington, Tokyo, Seoul, Beijing, and Moscow, has changed very dramatically in nature since the end of the Cold War.

Generally speaking, these governments have become more pre-occupied with their own domestic concerns as opposed to international concerns. Generally speaking, they have moved in the direction of focusing on shorter-term, rather than longer-term, problems. Generally speaking, these governments have become less willing to expend what some would call “political capital” for international purposes reasons.

One way of describing that constellation of governments would be to say that North Korea now faces a “weaker” constellation of international actors than it did before. However one describes it, though, this gives North Korea’s government more room to maneuver than it would have had during the Cold War era.

Part of what the DPRK government has been consummate in doing, not just since the end of the Cold War but during the Cold War was as well, is extracting aid from big powers. In the Cold War era, North Korea’s aid-extracting game was to put its hand, so to speak, in the pockets of Beijing and Moscow, attempting to play those two off against each other, getting aid from both and declaring allegiance to neither.

With Moscow effectively out of that game, North Korea’s approach has been to attempt to extract aid from big, and to Pyongyang’s view, hostile powers—Washington, Tokyo and, to some degree Seoul. If one looks at the post-Cold War period, one would certainly have to say that the North Korean government has been very good at putting its hands in other people’s pockets. Tactically speaking, it is expert at that.

Strategically, though, North Korea is in a dead end. It is hardly clear that it can extort enough money from the rest of the world to revive its economy, especially given the sorts of economic practices that its leadership seems to prefer. Certainly it will not be able to extract enough money from the rest of the world to be able to counterbalance South Korea’s economy, notwithstanding the problems Seoul may have had since 1997.

In general, I would advise American policymakers and American allies to be very careful about providing money to the DPRK regime. We would also, I think, be well advised to try to think about what the Korean Peninsula would look like after the DPRK, because it is the DPRK government itself that is the fundamental source of insecurity in that peninsula.

Thank you.

Chairman GILMAN. Thank you very much, Dr. Eberstadt.

With regard to U.S. aid, is the Administration sustaining a repressive North Korean regime? Is our Nation preventing the downfall of this odious government by continuing our assistance?

Dr. EBERSTADT. all government-to-government aid strengthens the recipient government and permits the recipient government to pursue its own intentions, whatever those intentions may be.

In this regard, I think some of the discussions about monitoring of our food aid and our oil aid neglect another important point. For resources like cash or food and, to a lesser degree, various energy products, there is a fungibility. This means that any new resources given to a recipient government, for any specific purpose, strengthen that government and permit it to pursue its existing objectives.

If those objectives are hostile to U.S. national interests, a more powerful problem for America is created by aid transfer.

Chairman GILMAN. Thank you again, Dr. Eberstadt.

Mr. Bermudez, in terms of security policy, would North Korea ever be willing to give up its missile programs, either its domestic development or international sales?

Mr. BERMUDEZ. At this point in time, I don't think it will be. It might be willing and it has proven to not test domestically, but I don't think that it is willing to give them up, no. It is too much a part of the psychological makeup of the leadership.

Chairman GILMAN. I know that you have commented about a number of intelligence sources. Do you believe North Korea continues to infiltrate South Korea and Japan with agents in military reconnaissance teams?

Mr. BERMUDEZ. Absolutely. In fact, the governments say they do. They only know about it subsequently, when they capture somebody or when there is a mistake on the part of the infiltrating teams. There definitely is a very active intelligence-gathering network in both South Korea and Japan.

Chairman GILMAN. So as they are receiving our assistance, they are still infiltrating the South and also Japan; is that correct?

Mr. BERMUDEZ. It certainly appears to me, yes.

Chairman GILMAN. Mr. Bermudez, you noted that North Korea is the world's largest proliferator of ballistic missiles and technology. The Administration hasn't labeled North Korea in that manner. How did you arrive at that conclusion?

Mr. BERMUDEZ. I just look at what Third World countries have received and from whom they have received it, and the numbers speak for themselves.

Chairman GILMAN. Ms. Lindborg, one of the PVOC's own food aid monitors calls the food monitoring system a "scam." No one—I repeat, no one—wants to cut-off food aid to North Korea, but how can we provide accountability?

Ms. LINDBORG. I think it is actually a very frustrating experience to be a monitor in-country, and any given individual is certain to have reactions from an experience of being in a very closed society. That is why we have tried to look over the total of the experience since 1997 to discern the pattern of improvement and of evidence that we believe the vulnerable populations are being fed.

However, we do agree that monitoring needs to be improved. We are pressing for a more continued presence in-country, and we are continuing to press for better and more random visits.

Chairman GILMAN. Why were the PVOC experienced Korean-speaking monitors not allowed to reenter North Korea?

Ms. LINDBORG. We have had some of our Korean-speaking monitors reenter. I think the question of returning staffers is less related to the Korean language ability than it is to the North Korean's reluctance to have people return who have had experience. They have indicated a preference to put a 6-month cap on any individual monitor, regardless of Korean language ability.

Chairman GILMAN. Why do they assert the 6-month limitation?

Ms. LINDBORG. I think they have their own reasons for wanting to limit the amount of time that any given American spends in-

country. We are negotiating with them to change that, and we have recently had certain monitors able to stay longer and to return.

Chairman GILMAN. Why doesn't the U.N. have any Korean-speaking monitors on its team?

Ms. LINDBORG. I can't answer that, Mr. Chairman. I think you will have to ask the World Food Programme.

Chairman GILMAN. Thank you.

Mr. Pomeroy.

Mr. POMEROY. Thank you. My first questions are to Ms. Lindborg.

The GAO concluded, after reviewing the food programs, that there is insufficient monitoring; and second, that they cannot prove or disprove significant diversion to the military of the food aid. Let's start with the second one.

Some have suggested, it appears, that there might be a forthcoming report which suggests that there is significant diversion of food aid to the military. Do the programs actually involved in delivering the food aid have an opinion on that question?

Ms. LINDBORG. We have reported in each of our written reports to our donors that there is no evidence of diversion to the military or otherwise. We do agree with the GAO report that we are hopeful for improved monitoring of our programs, but we also believe that there is a pattern of evidence that suggests that food is reaching its targets. In part, we rely upon, as we do in many countries, the provision of low-value grains, coarse bulk grains like corn and unground wheat, which have less value to the elite cadres.

We also presume, based on a great deal of anecdotal evidence and analysis, that the North Koreans have sufficient stocks from their own production to feed the military and political elites. Therefore, as is the case in many of these closed societies, it is the children and the powerless that are most likely to not be fed when there is a shortage of food. By FAO's reports, as well as DPRK reports, they are short between 1 and 1.5 million metric tons of grain production per year. That means that we are feeding those who would otherwise not be fed.

Mr. POMEROY. Are the children, the elderly, the sick and the vulnerable a significant political force in North Korea?

Ms. LINDBORG. I certainly don't believe so.

Mr. POMEROY. The first question is to monitoring.

The monitoring needs to be improved. It is very, very unfortunate that North Korea would raise the kinds of questions we are asking today, in part, simply because there is no transparency—there is not better transparency in terms of seeing the clean flow of food aid to its intended recipients. On the other hand, is this a unique problem with North Korea?

Ms. LINDBORG. No. Within the PVOC, the most experienced food NGO's of the United States operate in many very difficult environments, including countries like Sudan, Ethiopia, and Eritrea. It is always difficult in a conflict-ridden area to fully monitor the food. I think, as is the case in those countries and certainly within North Korea, there is a continuous effort to improve the quality of the monitoring, but it is certainly not unique.

There are unique issues regarding the DPRK, however, in that it has been closed-off for 50 years. It is very difficult for them to

understand some of the monitoring requirements that we are pressing. For that reason we are heartened to see that there is incremental progress because it is, to some degree, due to the ongoing negotiations with our interlocutors to help them better understand why we need to do what we need to do.

Mr. POMEROY. The very notion of external monitoring is literally foreign from their experience?

Ms. LINDBORG. It is completely foreign, and they view it very much as a security threat. I think it has been very important, as I mentioned in my testimony, to focus as well on the relationship-building aspects of having individuals in-country who are face to face with our interlocutors within North Korea, who can begin to understand why it is that we are asking to monitor the food and that the food is simply for the provision of feeding these vulnerable populations.

Mr. POMEROY. Are you testifying on behalf of the—

Ms. LINDBORG. I am testifying on behalf of the nine-member Private Volunteer Organization Consortium.

Mr. POMEROY. Thank you.

Dr. Eberstadt, if I understand the thrust of your testimony, it is that providing any aid into North Korea helps allay circumstances whereby we might bring this dreadful government to an end? Is that the heart of what you are saying?

Dr. EBERSTADT. Basically, sir, yes.

Mr. POMEROY. I would just read to you from the Perry Report, report of former Secretary Perry. He writes, "Finally, we have determined that while North Korea is undergoing terrible economic hardship, these hardships are unlikely to cause the regime to be undermined. We therefore must deal with the DPRK regime as it is, not as we would wish it to be."

In light of the fact that they have sufficient food stocks for the military, political elite and that, clearly, this is a system that has already experienced a level of starvation, death and malnutrition that certainly would have provided the basis for political overhaul in a different political context, it seems to me that there is basis for what Perry has written. Withdrawing food aid will cause many to starve and will put pressure on the government. But that raises, if nothing else, security issues rather than likely political transition issues. Would you respond?

Dr. EBERSTADT. Under current circumstances, Congressman, I would recommend attempting to feed the needy populations as best we can without feeding the government, to draw the distinction there. However, this is a very difficult distinction to draw.

Mr. POMEROY. That is a slight clarification on my first question. So you perhaps can get aid to the needy populations without feeding the government?

Dr. EBERSTADT. Congressman, my assessment is that is a very, very difficult needle to thread, but it is one that is worth attempting to thread.

I think there are some ways that we could attempt to improve the distinction between feeding the needy and feeding the DPRK state.

Centralizing aid through the DPRK public distribution system is exactly not the way to nourish the needy in North Korea. It seems

to me that we want many, many Mercy Corps in the DPRK —hundreds of thousands of PVO's doing their own good works separately in their own manner, attempting to make their own assessments of individual needs.

To me, one of the horrifying aspects of the current hunger crisis in North Korea is how extraordinarily reluctant, how stubbornly resistant, the North Korean state has been to release information it possesses about the magnitude nature of the hunger crisis to the very agencies which wish to relieve it.

I think there are diverse ways that we could promote the objective of nourishing the vulnerable without nourishing the North Korean state.

Mr. POMEROY. I thank you for that comment, and I think that is something both sides of the political aisle on this Committee have to pay a lot of attention to. I think we could advance our shared goal of feeding the needy without feeding the government much more constructively if we are working on narrow questions of distribution, improving monitoring, really doing the technical business of achieving just that end, rather than making unsubstantiated allegations that there are significant diversions to the military and passing preconditions that cannot be met, thereby precipitating cessation of food aid.

I think we have common concerns, but we certainly have dramatically different notions in terms of how best to press the concerns. I think your comments are very apt to the differences on the Committee. Thank you very much. I thank the panel very much.

Chairman GILMAN. Mr. Pomeroy, thank you.

Dr. Eberstadt, I understand North Korea uses hard currency to buy some very unusual items despite the famine, such as Mercedes cars and infant diet formulas. What can we learn from their buying habits?

Dr. EBERSTADT. Congressman, I think you are referring to some of the reported purchases of DPRK goods in the international marketplace, which we review through so-called mirror statistics.

One thing we can learn through those statistics is that there seems to be a two-tiered food system in the DPRK. On the one hand, there are big orders of 50,000, 200,000, or 500,000 tons of course grain. Then, on the other hand, there are small, specialized purchases of one or two tons of specialty cakes or, as you mentioned, of infant dietary food supplements—unusual items, but small enough in volume that one would infer that a rather limited group is being served.

Maybe that just corroborates what we already know: Namely, that the DPRK has a small elite and a large number of people who are at the mercy of that elite.

Chairman GILMAN. Thank you.

Mr. Bermudez, which of the nations are beneficiaries of some of the military hardware that North Korea exports?

Mr. BERMUDEZ. There is a very long list. The most notable are Syria, Iran, Pakistan, but the list is really Zimbabwe, Tanzania, countries in South America. A good majority of the countries in the world, Third World countries that is, have received some military assistance, whether it be material or personnel; and the percentage is very high in Africa and Asia.

Could I make a comment? Everyone keeps talking about the armed forces or the army in North Korea, and food aid, whether it helps North Korea's military stature. Most people don't understand that within North Korea, the military is the state and the state is the military.

The vast majority of North Korea's population—when you become a teenager, you join the Red Youth Guard, which is a paramilitary youth organization, and then you join the military. If you are not a social elite and if you are not in the military, you are an outcast to society. You go through your military service. When you come out, you go into either the Worker/Peasant Red Guard, which is a paramilitary force, or you go into the paramilitary training unit, which is more like an active reserve. From the age of maybe 14 all of the way up to 55, you are part of a military organization of the state.

Chairman GILMAN. Mr. Bermudez, what is the total population of that military cadre?

Mr. BERMUDEZ. Of all of the reserves and the military, I don't have the figure.

Chairman GILMAN. What would you estimate it to be?

Mr. BERMUDEZ. Three, 4, 5, 6—I would roughly—and I would have to look at my notes—8 million people.

Chairman GILMAN. Out of a total population of?

Mr. BERMUDEZ. I don't know total population right now, especially with the losses in the past 5 to 10 years.

Chairman GILMAN. My staff says 22 million. So a good fourth of the population is in the military?

Mr. BERMUDEZ. I would say a little more. They are controlled by the military or have military training and serve either as—what we would call our Reserves or our National Guard.

Chairman GILMAN. How much of the economic structure of North Korea is dependent upon the export of military supplies?

Mr. BERMUDEZ. Right now, a very high percentage of foreign trade is related to military export.

Chairman GILMAN. What do you estimate that to be?

Mr. BERMUDEZ. I don't have—

Chairman GILMAN. A rough estimate.

Mr. BERMUDEZ. I have seen estimates that vary from 50 to 90 percent.

Chairman GILMAN. Fifty to 90 percent of the GDP is in military?

Mr. BERMUDEZ. I have seen estimates in that range.

Chairman GILMAN. Who would be the largest beneficiary of those military exports?

Mr. BERMUDEZ. Which country receives the highest percentage of military exports?

Chairman GILMAN. Yes.

Mr. BERMUDEZ. It has to be either—I would say Iran or Pakistan at this point. But it varies; each year it is different.

Chairman GILMAN. They are the largest trading partners?

Mr. BERMUDEZ. For military equipment at this point, yes.

Chairman GILMAN. Again, I want to thank our panelists for being here and for providing us with very valuable insights.

The Committee will stand adjourned.

[Whereupon, at 1:15 p.m., the Committee was adjourned.]

---

---

**A P P E N D I X**

OCTOBER 27, 1999

---

---

**NEWS**
**International  
Relations  
Committee**

**U.S. House of Representatives \* Benjamin A. Gilman, Chairman \* 2170 RHOB \* Washington, D.C. 20515**

**DATE:** *October 27, 1999* **FOR RELEASE:** *Immediate* 1099-  
**CONTACT:** *Lester Munson, Communications Director, 202-225-8097, Fax 202-225-2035*

**GILMAN: NORTH KOREA "HOLDS OUT ONE HAND FOR  
AID, WHILE IN THE OTHER HAND IT HOLDS A GUN"**

**WASHINGTON (October 27) - U.S. Rep. Benjamin A. Gilman (20<sup>th</sup>-NY), Chairman of the House International Relations Committee, released the following statement today at a committee hearing on "The Misuse of U.S. Aid to North Korea":**

"Today, the Committee will hold the second in a series of hearings this month on U.S. policy towards North Korea. Today's hearing will focus on U.S. assistance to the DPRK, the missile threat, and North Korea's future. We are pleased to have gathered a distinguished group of witnesses to discuss these matters.

"Five years ago, our nation embarked on a massive assistance program for North Korea. Today, the DPRK stands as the number one recipient of our nation's assistance in East Asia. Total aid, including food assistance, is valued at over \$645 million since 1995. That figure is expected to exceed \$1 billion by next year.

"The American people may not be fully aware of the true scale of this massive aid program. Today, our nation and our partners in the Korean Peninsula Energy Development Organization (KEDO) provide at least 45% of North Korea's heavy fuel oil needs.

"Our nation also provides over 80% of the internationally donated food aid to North Korea. In sum, we feed one out of every three North Koreans.

"There is growing concern in Congress about our policy towards North Korea. As U.S. assistance has grown, so has the range of their missiles. It is now believed that two types of North Korean intercontinental ballistic missiles can strike the continental United States with weapons of mass destruction. For the first time in our history, we are within missile range of an arguably irrational rogue regime. Regrettably, we cannot defend against that threat.

"We are also concerned about the use of our aid. According to the non-partisan General Accounting Office (GAO), at least \$11 million of fuel aid has been diverted by the North Korean government. Fuel monitoring is dependent on the North Korean power system which is often out of service.

"We have also learned that despite assurances from the administration that U.S. aid will not go where food cannot be monitored, at least 14,000 tons of food aid, valued at \$5 million, was diverted to military counties where monitors are denied access.

"One question looms large in any discussion of aid for North Korea. We know that the government of North Korea is primarily responsible for its own economic collapse and food shortage due to its misguided policies. If this were any other country, they would be moving ahead on agricultural and economic reform that would lead North Korea back to food security.

"For instance, Ethiopia went from famine to grain exporter in just five years. No such reforms are presently underway in North Korea. North Korea continues to hold out one hand for aid, while in the other hand it holds a gun. This has resulted in a very successful cycle of political blackmail and extortion with the international community.

"Finally, I am concerned about the human rights situation in the DPRK. This pressing issue receives far too little attention. North Korea classifies its people into 51 groups, with over seven million people regarded as members of the 'hostile class.'

"These people are starving and our aid is stolen from their mouths. North Korea has hit a new low in human rights, establishing prisons where hungry children are incarcerated. To my knowledge, the administration has yet to ask the North Koreans for international access to these prisons even though they were identified over a year ago by a Committee staff delegation which visited North Korea.

"We are calling upon the administration to request that the International Red Cross be granted access to these prisons to monitor the health of the hundreds of thousands of children who are trapped inside."

*Testifying at the hearing were: the Honorable Tony P. Hall, Member of Congress; Mr. Benjamin Nelson, Director, International Relations and Trade Issues, General Accounting Office; Ms. Gary L. Jones, Associate Director for Energy, Resources and Science Issues, Community and Economic Development Division, General Accounting Office; Dr. Nicholas Eberstadt, Visiting Scholar, American Enterprise Institute; Mr. Joseph S. Bermudez, Jr., Senior Analyst, Jane's Intelligence Review; and Ms. Nancy Lindborg, Executive Vice President, Mercy Corps International.*

Testimony of  
**U.S. Rep. Tony P. Hall**  
to the House International Relations Committee

October 27, 1999

Good morning, Mr. Chairman, members of the Committee.

We seem to be testing the theory that honorable men can disagree quite often lately, and I want to thank you for letting me come today and disagree with you in person. I know your views about North Korea (and those of some of our colleagues) are sincerely held, and I appreciate your hearing my testimony this morning.

I got my copy of the GAO report on food aid from a reporter, and have not seen the companion piece on fuel assistance – so I will confine my comments to the humanitarian situation.

My Experience in North Korea

As you know, I have been to North Korea five times in the past three years. I spend as little time as possible in the capital, so I can focus on the people in remote areas whose condition is far worse – and whose suffering is hidden from most outsiders.

I don't make these trips out of any particular interest in North Korea; in fact, my first experience with that regime was when President Reagan asked me to go to the memorial service for the South Korean cabinet ministers killed by North Korean agents in Rangoon. I couldn't understand Pyongyang in the 1980s, and I still can't figure out why they do some of the things they do.

The reason I go to North Korea is the same reason I went to Sudan last year, and to Rwanda the year before that -- because of the humanitarian crisis its people are facing. Most experts I talk to believe two million or more Koreans have died in this crisis – twice the number Ethiopia's famine claimed. This is the worst famine in the world today; that is the reason I go, and it is why I am here today.